the MORTGAGE BANKER

JULY 1952

For MBA's 39th Convention, it's Chicago at the Conrad Hilton Hotel, September 28 to October 2. Some of the plans are told in this issue.

this issue ★

MID YEAR VIEWS OF BUSINESS OUTLOOK AND MORTGAGE PROSPECTS ★ EARLY PLANS FOR THE CONVENTION ★ NEW LOAN OFFICES

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PRESIDENT'S *Column*

A TIME FOR CAUTION

FOLLOWING World War II, a tremendous shortage of housing existed in our country. Since then, however, it has been greatly relieved by the construction of millions of units and the situation today is much improved.

Our needs for housing in the years to come should be weighed carefully by mortgage lenders at this time. The anticipated population growth, the normal migration of people into newer areas, as well as allowances which must be made for destruction by fire, windstorm and obsolescence, all contribute to our future demands. Weighing all factors, it appears that a prospective need exists for the next few years of 800,000 to 1,000,000 new housing units annually.

If production provides more than can be absorbed readily in any area, a soft market will develop. This condition may be evident in some localities now.

As new houses reach the market the builders want to promptly complete their sales and receive all due them in cash, including their profit. In contrast, the mortgage holder may anticipate an association with the property and its owner or subsequent owners for the succeeding ten to twenty-five years.

The long term mortgage has made it possible for the tremendous expansion of the home building industry and for a substantially larger percentage of American families to live in owner-occupied homes. As it becomes more difficult to consummate sales on completed units, pressures will be exerted for more liberal lending terms, including the down payment requirements and the period of years for repayment.

A reasonable amount of caution in the period ahead can prove very valuable if a proper balance is to be kept between supply and demand.

Aubrey M. Costa

President, Mortgage Bankers Association of America

the MORTGAGE BANKER

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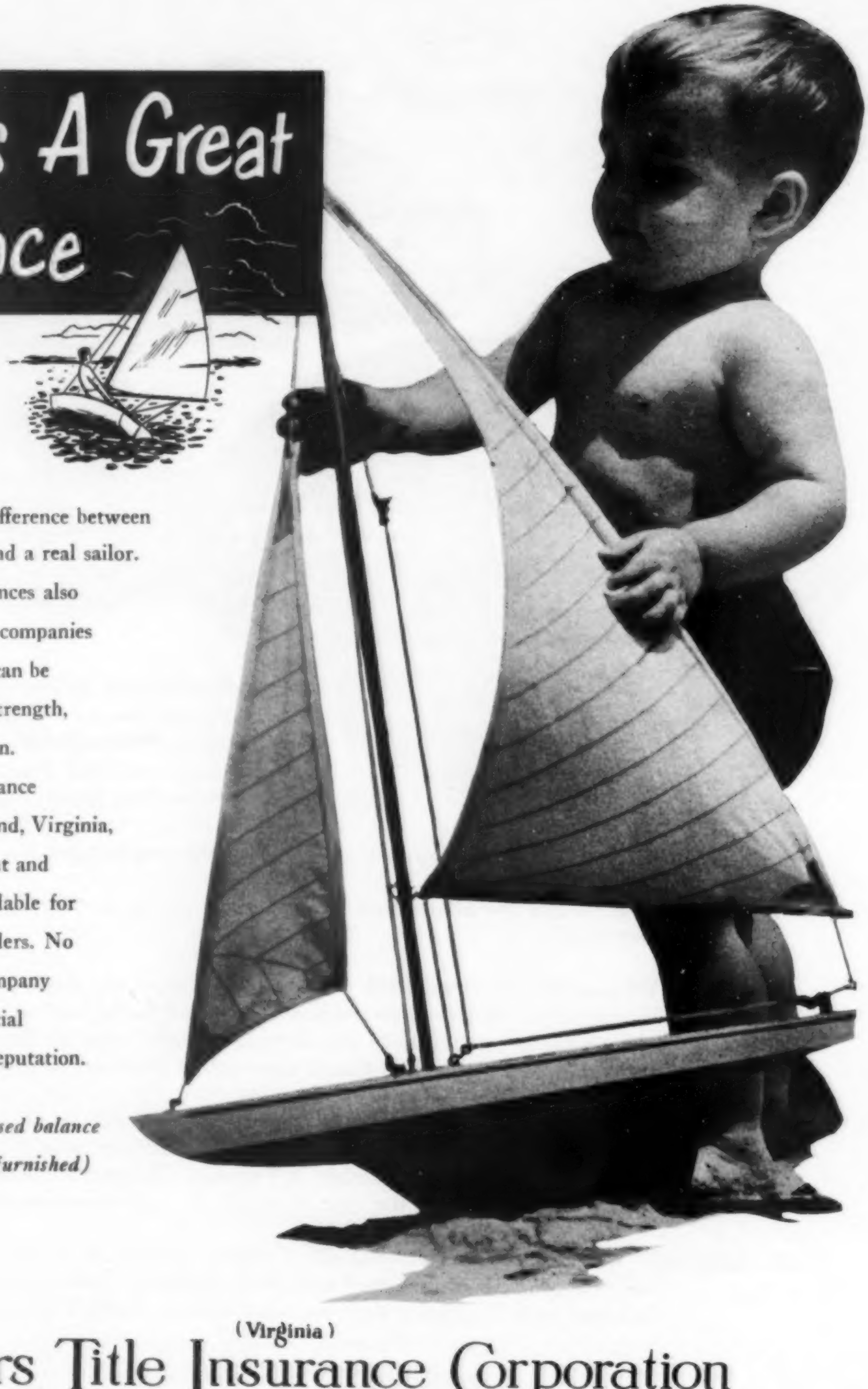


THE BUSINESS PICTURE *Looks Pretty Good*

This is mid-year 1952, a good time to take stock of business now and prospects for the future, both near-term and long-term. Dr. Nourse does so here and while he has some strong reservations about a great many influences in the national economy, he thinks that the outlook is certainly not discouraging by any means. As he sees it, the factors which tend to encourage inflation are pretty well balanced by those which encourage the trend the other way. For one thing—as Dr. Slichter said in the June issue—we're not done with the stimulation that comes from defense spending, regardless of what settlements are made at the military level. And it isn't going to make any difference how the national election comes out—the country will continue to spend a huge amount for defense. Dr. Nourse is of course the former chairman of the President's Council of Economic Advisers and one of the country's leading economists.

By EDWIN G. NOURSE

THE economic situation today is "equilibrated." There is a pretty good balance between conditions that make for reckless business plunging, runaway inflation, or the final "blow-off" of a boom; but, on the other hand, conditions that make for the collapse of ability to buy, general impairment of business confidence, snowballing unemployment, and contagious recession.

The government is committed to a scale of expenditures which will be large even after the present salutory, but cautious, pruning has been completed. Business is still in an uncompleted building program, and workers' pay envelopes are marked for further fattening both from overtime work and from higher pay rates.

Thus the pipe lines that carry the national spending stream are full, and the pusher pumps still working. The extent to which the public's propensity to save has been at a high level furnishes sellers a challenge to pare prices and accept healthful competition, rather than being a warning of near-term collapse of the national market. Liquid savings accumulated during these years might become a very useful prop to the consumer market if widespread strikes develop out of a showdown on the wage issue or if and when military spending is reduced and the construction cycle moves into its down phase. On the other hand, liquid savings are "hot money" and would add fuel to the flames if another inflationary movement gets under way.

For the past two years, I have been about as loud as anyone in pointing out the dangers of inflation growing out of the prospective rate of rearmament expenditure and of related industry building *vis-a-vis* the needs of civilian standards of living and population growth. After the Korean surprise, the military took the blackest view of the probability of other major Soviet aggressions. They wanted to get prepared for any emergency, and the public were hysterically ready to say yes to every request for funds.

This military pressure had its counterpart in the civilian area. Although we never really adopted a policy of full mobilization, the business and consumer public acted as though that condition was either here or just around the corner. During the two years of tension now abating, private business was overstimulated by the prospect of shortages even under partial mobilization, and practically everybody underestimated the new productive power of our industrial machine. Hence, overblown programs both of building and of buying, resulted in overcapacity and overstocking. From June, 1950, through 1951, there was real danger of an inflationary breakthrough.

Now, the sheer weight of goods is swinging the market from sellers' dictation to buyers' option.

It would be hard to overestimate the current economic significance of the revision and postponement of the military goal from '53 to '55. This was reflected first in the President's budget last January. That total was set at $85.4 billion instead of $90,

$95, or $100 billion that had been so glibly talked of last year. The $85 billion budget included practically $60 billion for military and foreign aid expenditures. But with the hump of rearmament reduced to a plateau, Congress bids fair to lower the level of both these items to one several billions lower. I suspect it will not come down to $46 billion and $6 billion respectively. But whatever the precise figures, it seems sure that 1952 will see the governmental component of our national economy brought much closer to balance with the civilian component on the plane of domestic productive capacity. In other words, we are easing into a real, but not ruinously competitive buyers' market from the inflationary sellers' market which obtained after the war and that seemed at one time to be somewhat permanently established by the Korean episode.

As I analyze the basic economics of our present situation, it furnishes us a model on which we could go forward into a reasonably stable and continuing prosperity — if we would all behave ourselves—that is, face the economic facts of life instead of trying to beat the game.

To be sure, we shall probably end our fiscal maneuvers in a situation which will entail a moderate deficit for fiscal 1953. But I would not expect a deficit of that magnitude by itself to have a seriously inflationary effect. It must be remembered, however, that military spending will rise rather rapidly in the second half of this year—the low period for Treasury receipts—whereas wage advances —past, present, and prospective—will have an increasing effect in the latter part of this year, both by enlarging the spending power of the working population and by price increases stimulated by rising labor costs and permitted under price stabilizing formulas.

Whether this inflationary force proves to be less or more than the disinflationary force of high production and consumer caution remains to be seen. My personal guess would be that the trend of prices would be up, but only moderately so, with declines in some commodity areas tending to offset advances in the areas of many of the highly fabricated goods.

If I am correct in my interpretation that 1953 is a year in which the inflation potential is being "contained," then we may expect it to be a year of many and perhaps serious strikes unless, of course, means of handling industrial disputes are devised—in Congress or out. I have little faith that this will happen—in a campaign year of all times!

Nourse on the difficulty of knowing what to do in times of stress: "Do we know how to stem a recession once it really gets under way and then institute recovery measures? There are many . . . who cherish the thought that we can do so through vigorous use of fiscal and monetary policies. . . . Personally, I think the effectiveness of monetary policy is largely as a restraint on booms rather than a business stimulant in times of depression. Credit easing at such times is 'pushing on a string.' Fiscal policy as a cure for depression has lost much of its potency by not being used to curb inflation and reduce the public debt during a boom period."

Since strikes in one industrial area lead to uncertainty and cautious buying in many other areas, their power to start a downward spiral of progressive unemployment is one of the greatest threats to our high employment situation.

I marvel that organized labor is as ready as it appears to be to play with this dangerous weapon in the present delicately balanced state of the economy. If we are to work out a practical system of sustained full employment under free enterprise, organized labor will have to exercise self-restraint at the same time that management will have to take calculated risks.

It is easy enough to know when the clock strikes midnight and we enter a new calendar day. But I find considerable difficulty in trying to decide when "today's economic situation" will end and "tomorrow's economic situation" will begin. There is an old saying that "coming events cast their shadow before." It is no less true that present events cast their shadow ahead. Tomorrow's economic situation is already a-borning. Under the good employment and generally steady price level promised for the rest of 1952 there are increasing tensions for 1953 and beyond. These threaten both the prosperity of the market-place and the institutions of our private enterprise system. The unsolved problems, the dodged issues, and the faulty adjustments of today and yesterday becloud the hope of continuing our somewhat artificial prosperity for very long into the future.

Some economic analysts appraise future prospects almost exclusively on the basis of fiscal and monetary considerations. They seem to regard other business relationships as of minor importance or as being easily controlled by good fiscal or monetary management. If that were in fact all we have to worry about, I should take a moderately hopeful view of tomorrow's economic situation.

I have already indicated my belief that the country and the Congress have at last become aroused about the deficit issue so that it seems unlikely that the statutory ceiling of $275 billion on the national debt will be breached. Even amid the difficult conditions of a campaign year, we have seen the President deflating the military's budget demands and the Congress further deflating the President's recommendations. With actual spending likely to be held materially below authorization, there would seem to be some prospect that, with a new Administration and further clarification of the offensive threat and of our defensive power, we might reach a balanced budget next year. Likewise on the monetary side, the Treasury-Federal Reserve accord of last year and the Patman Subcommittee hearings of this year seem to have restored a healthy independence of action under our central bank mechanism without creating a danger of collapse in the government bond market.

But I do not give exclusive or even dominant importance to fiscal and monetary causes of economic difficulty. My fears about tomorrow's economic situation are based primarily on the mishandling of our private market relationships, our wage and price structure. Against improving prospects in the fiscal and monetary areas, 1952, behind its facade of superficial prosperity, is putting us into a much worse situation in terms of industrial and commercial market relationships. Even with good inten-

tions as to budget balancing, the government finds its task made more difficult if not impossible so long as wages and prices are out of control. Nor can credit control arrest the wage and price rise when the very mechanism of economic adjustment has been converted into an engine of inflation.

This, I think, is what has happened as the Office of Economic Stabilization has undertaken to supersede the process of collective bargaining. And the prospect of extricating ourselves from the mess we have gotten into in this area seems to me dim indeed. For these price and income relations get imbedded in business structures and practices and attitudes so rigid in character that it takes almost an ideological upheavel to change them.

If we truly believe in the preservation of a predominantly private system of business, we must recognize that the decisive factor in maintaining prosperous activity or of avoiding depressionary breakdowns lies in our voluntary market processes. We must establish wage, cost, price, and profit ratios that will furnish the necessary distribution of consumer purchasing power and at the same time preserve asset values and operating incentives.

This is something that we have not had to do for a period of some years. During World War II, a combination of government control and debt-creating subsidies and deficits superseded the ordinary enterprise economy.

Since the war, we have had a prolonged period of inflation, nourished by the monetization of the war debt. A substantial part of that inflation—or rise of the general price level—was inevitable. But the time came when some internal restraint or external control had to be exercised over administered price making and collective wage making if we were going to get that degree of stabilization which is necessary for assuring continued prosperity after rearmament goals are accomplished.

When we reach that stage, we must, quite evidently, settle down to the carrying of a larger military load than we have known in the past pattern of American life and at the same time assure the best standard of civilian living that is compatible with the magnitude of our resources, steadily and efficiently used.

Without wishing to qualify as a "gloomy Gus," I think we should in mid-1952 look very frankly at the conjunction of somewhat disturbing factors which appear to be developing for 1953. I have mentioned the high, rising, and rigid level of labor costs, a more moderately rising and perhaps soon a declining scale of government

Nourse on the pitfalls of trying to look ahead: "It is easy to know when the clock strikes midnight and when we enter a new calendar day. But I find considerable difficulty in trying to decide when 'today's economic situation' will end and 'tomorrow's economic situation' will begin. There is an old saying that 'coming events cast their shadows before.' It is no less true that present events cast their shadows ahead. Tomorrow's economic situation is already aborning. Under the good employment and generally steady price level promised for the rest of 1952, there are increasing tensions for 1953 beyond."

expenditure, a weakened propensity to spend or enhanced propensity to save on the part of consumers, the tapering off of industrial building activity, and a rising productivity of our expanded and modernized productive plant. This combination of circumstances promises a highly competitive market and a need on the part of manufacturers and merchants to bring prices within the ability and willingness of the buying public.

Such a competitive situation will raise questions of how much employers' efficiency of operation can be raised, how much their profit margins can be narrowed after the extraordinarily high rate of "plowing back" capital during recent years. It will require a courageous interpretation of business enterprise, with its boasted function of risk-taking. It will call for a great deal of tolerance of unwelcome adjustments. The strain will be most intense and the responsibility for leadership greatest at the particular points where basic industries play a strategic role in our economy. If unemployment gets started in these areas, it undermines the market of secondary producers, distributors, etc.

Businessmen under the circumstances I have sketched may be expected to gripe about "profitless prosperity." But unless both parties "roll with the punch" and make mutual concessions under which goods can be sold and under which jobs can be maintained, we stand a very grave prospect that local spots of unemployment will snowball and spread contagiously into general recession.

This possibility—which we cannot afford to ignore if we are to take steps to combat it—raises one final question: Do we know how to stem a recession once it really gets under way and then institute recovery measures? There are a good many economists, lay and professional, who cherish the thought that we can do so through vigorous use of fiscal and monetary policies now understood. Personally, I think the effectiveness of monetary policy is largely as a restraint on booms rather than as a business stimulant in time of depression. Credit easing at such times is "pushing on a string." Likewise, fiscal policy as a cure for recession, has lost much of its potency by not being used to curb inflation or reduce the public debt during a long boom period. Hence, I come back to my basic proposition, that voluntary acceptance of price and wage relationships that enable business to go on even when neither party is wholly happy about the terms of trade, is the ultimate remedy for recession, just as it would have been the best preventive.

I suspect that many will agree in principle with what I say and still reply that it does not seem realistic to expect that patterns of human behavior, of business behavior, and of political behavior will change fast enough to bring us by these means out of the difficult situation which seems to be shaping for 1953 or some year not much later.

In honesty, I have to admit that I share that view. And that is why I said earlier that in tomorrow's economic situation, I saw trouble ahead both for economic prosperity and for the preservation of the institutions which we have regarded as our American heritage.

The sort of remedies which I have outlined presupposes tolerance, patience, understanding of economic fundamentals, and a willingness to "sweat it out on the beaches" while the necessary adjustments can be

(Continued page 32)

Mid-Year Appraisal of
MORTGAGE PROSPECTS

We took a mid-year look at business prospects with Dr. Nourse in the opening article in this issue; now let's appraise both near-term and long-term prospects for mortgages with Mr. Conklin who is second vice president of The Guardian Life Insurance Company of America. Almost no one guessed right in estimating the business we have done so far in 1952 so, as he points out, we're treading shaky ground in attempting to say exactly what's ahead. Supply of mortgages over the near-term is going to be ample, he concludes. Looking at the same proposition long-term, Conklin reminds us that the mortgage supply is dependent on the housing outlook and, as we all know, a substantial proportion of the demand has been met. At least so it would seem — but, again, how many forecasted a million starts in 1952? Significant is his comment that we are entering the time when the depression period of low birth rates will be felt. As to mortgage rates, he projects his views on that score, both near-term and long-term.

By GEORGE T. CONKLIN, JR.

FORECASTING future trends in economic activity generally is hazardous enough but, on the basis of past records, forecasting housing trends presents particular pitfalls.

There have probably been more incorrect forecasts in recent years dealing with housing than with any other sector of economic activity. Within the past year we have had two glaring examples of such errors. The first major error dealt with the effect of Regulation X on housing starts in 1951. When Regulation X was put into effect it was designed to reduce housing starts by making financing more difficult. Actually, it had exactly the opposite effect for it created a tremendous "beat the gun" activity in 1951 and as a result of pre-regulation X commitments rushed through before the deadline, Regulation X had little or no effect upon housing starts until the summer of 1951, just a short while before the situation which it was designed to correct was so basically changed that Regulation X was substantially liberalized.

George T. Conklin

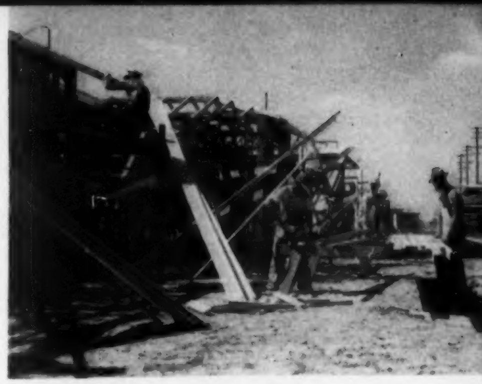
The days of Regulation X are numbered. And, looking back upon it after its demise, I do not feel that it will be evaluated objectively as having been of much real use, but rather of considerable nuisance value.

The strange thing about 1951 estimates of the building situation is that in general the private economy joined the government in its analysis of the housing situation and many people expected housing starts in the last half of 1951 to drop to an annual rate of 500,000. The generally accepted figure for 1951, however, was 850,000 starts. As we all know, the surprise of the year was that building starts totalled 1,094,000, with only 70,000 public starts.

There are only two sources of which I know that correctly assessed the number of housing starts in 1951, one a government source—the Federal Reserve Board, and the other a private source — Fortune Magazine. The Federal Reserve Board survey of consumer plans for consumer spending and saving indicated a strong housing market for 1951 and Federal Reserve Chairman Martin estimated 1951 starts fairly early in 1951 as better than 1,000,000. Fortune Magazine conducted a sampling poll of building intentions and in May of 1951 came up with a figure for 1951 housing starts of 1,125,000. Both of these estimates were remarkably correct.

Undaunted by their previous mistakes, most government sources insisted in the last quarter of 1951 that there was going to be a serious shortage of numerous critical materials in our economy, and that these shortages would be the determining factor in the housing situation in 1952, limiting starts to about 800,000. One agency even stated that housing would have to be cut back to around 600,000 starts. In most 1952 forecasts appearing around the first two months of the year the level of housing starts assumed was 800-850,000. In the past two months, however, a substantial change has taken place which gives rise to the probability that once again housing starts will have been underestimated.

In the first place it has become evident to all, or at least it should have become evident, that the demands of the defense program have been grossly over-exaggerated and the productivity of the economy underestimated, with the result that we are not facing a period of shortage. There will be enough materials available to take care of the defense program and in general all the goods the private sector of the economy will demand.



1952 looks like another year of a million starts, maybe more

There are several factors aside from the absence of a materials pinch which point to a higher level of starts for 1952 than the 800,000 commonly estimated until recently. Both of the sources which correctly estimated 1951 housing starts forecast a substantially higher level of starts than 800,000. The Federal Reserve Survey of Consumer Plans for Spending and Saving in 1952 indicates that while the consumer expects to spend less in 1952 on other consumer durables (autos, refrigerators, etc.), he plans to buy new homes in 1952 at about the same rate as in 1951. These plans are dependent of course upon the maintenance of high incomes. Since it is quite certain that business activity and consumer incomes will rise for at least 6 to 8 months, this survey would indicate housing starts for 1952 at about 1,000,000.

The Fortune Magazine survey of spring building plans indicates 1,150,000 starts for 1952, up 5 per cent from 1951. This survey likewise indicates no trouble with availability of materials. In fact, the general complaint was that NPA regulations forbid the use of materials that are plentiful in supply.

Thus, based upon the evidence to date this year, a level of starts of around 1,000,000 units would not be surprising. If such a level of starts is realized, then a considerably larger supply of mortgages for 1952 than originally anticipated is likely. The net increase in residential mortgages on 1-4 family homes in 1951 was \$6,100,000,000, and comprised by far the largest single sector of demand for individual savings in the economy. To this figure may be added an estimated two billion for mortgages of other types, bringing the total estimated net mortgage demand for 1951 to about \$8,100,000,000. To weigh the importance of this sector in the money market, compare it with the net new bond issues of about \$4,500,000,000 for 1951.

Several studies of the demand and supply of investment funds for 1952 were made in the first three months of the year. All of these studies indicated a very substantial drop, averaging about one-third, in the supply of residential mortgages. Thus net residential mortgages were estimated in the neighborhood of \$4,000,000,000, plus or minus. The basis for this lower estimate was in large degree, although not wholly, an anticipated sharp decline in new residential construction. Should 1,000,000 starts be reached in 1952, however, these estimates would be about \$1,500,000,000 too low, and mortgage supply in 1952 would be within striking distance of the 1951 supply.

The evidence provided by non-farm mortgage recordings under \$20,000, although it is at this writing available only for the first two months of the year, indicates a continued good supply of mortgages for 1952. In these two months such recording totalled \$2,569,162,000, up 2.2 per cent from

the first two months last year, and February recordings were the highest for any February. There is moreover an indicated tendency for the average mortgage per unit to increase.

It would seem that the supply of mortgages available over the near term will be quite ample, in contrast to the expectancy a few months ago.

To get a long-term outlook for mortgages, first consider the background of mortgage supply over a period of years. In 1930 the outstanding mortgage debt on 1-4 family homes reached a peak of $19,874,000,000; by 1939 this debt had declined to $17,948,000,000. Thus for the nine years 1930-39, there was no net new mortgage supply; instead there was a 10 per cent reduction in the supply. With economic activity picking up in 1940 and 1941, outstanding mortgage debt increased by about $1,800,000,000 to $19,754,000,000 in 1941, about the same level as in 1930. Mortgage debt remained relatively constant during the war years and in 1945 amounted to $19,653,000,000.

Then began the great postwar increase in mortgage supply; in 1946 residential mortgage debt increased $4.8 billion, and by the end of 1951 had reached the tremendous total of $53,000,000,000. By the end of this year the amount of mortgage debt outstanding will have increased more than $38 billion since the end of the war, or almost twice the total outstanding mortgage debt in 1945.

With this as a background, now look at the longer term outlook. Basically this mortgage supply is dependent upon the housing outlook, and no matter how you look at it, the demand situation in housing has weakened considerably in the last two years. The demand for new homes is basically dependent upon (1) demographic factors; (2) income.

During the depression of the thirties incomes were relatively low; consequently marriages were postponed and baby production was off substantially. New household formation reached a low of 259,000 in 1933 and for the decade of the thirties averaged about 500,000. With the outbreak of war and the operation of the draft an additional backlog of family formation resulted from the postponement of marriages; furthermore, what wartime marriages took place resulted in "doubling up" with other families.

Household Formation

With the end of the war, the maintenance of incomes at record levels, the accumulated high personal savings, and the excessively easy credit terms applied by the government to housing, marriages and baby production boomed and undoubling proceeded at a record rate. New households formed soared to a peak of 1,531,000 in 1948 and averaged close to 1,500,000 from 1947-49, completely overshadowing new housing starts which averaged below 1,000,000 units. Based upon the experience of the full employment 20's and the present age structure of the population, new household formation should have averaged about 750,000.

Soon, therefore, the marriage boom and the undoubling began to catch up with the accumulated backlog of depression and wartime, and household formation in 1950 began to decline. By 1951 it had declined to about 1,000,000 and in 1952 is estimated at about 800,000. During these latter years new housing starts have substantially exceeded new households formed, and the backlog of demand has been steadily whittled away.

By the end of the year the backlog for housing will have disappeared, and housing will again be dependent primarily upon current economic factors, and as such more vulnerable. The outlook for these factors beyond this year is not favorable. As far as marriages are concerned, we are entering the time when the depression period of low birth rates will be felt. There will be far fewer persons of marriageable age in 1953-1955. As a result new household formation is estimated to decline to a low of about 550,000 by 1955. General business activity and incomes, moreover, are likely to decline from 1952 levels. Consequently, a cyclical decline in residential housing appears likely, extending into 1955, and with it a period of less activity in the transfer of homes. The mortgage supply outlook over the next several years, therefore, appears to be one of considerable decline from recent high levels. With monthly amortization and payoffs applying to a record high outstanding mortgage debt, and with new housing

starts reduced, the net increase in mortgage debt outstanding could shrink sharply from recent levels.

As for the near term outlook, mortgage supply should continue ample, but the longer term outlook appears to be for a substantial shrinkage.

As to the level of interest rates, again let's look briefly at both the near term and longer run outlook. With the Federal Reserve in March 1951 ceasing to peg government bonds at artificial levels, market forces took over and caused a substantial rise in interest rates. In the first period from the unpegging to the end of June the yield on long term governments increased from 2.41 per cent to 2.68 per cent. In the same period new "A" bond issues increased from a level of about 2.90 to 3.62 per cent. In the second period July-September, the market strengthened and interest rates declined quite sharply; governments declined to a 2.57 basis and A corporates declined sharply to 3.12.

In the third period, October-December 1951, interest rates on governments rose above the June level to a 2.75 basis, but new A utility bonds reached a level of 3.55, short of the June peak. In the last period, January 1952 to date, the interest rate on governments has declined to a 2.57 basis (the level of last September) and on new A utilities to a 3.25 basis. During this entire period interest rates on direct placements rose substantially, and the rate on the highest grade credits reached a 3¾ per cent level. Recently there has been a tendency for this market to soften somewhat in interest rate.

Now what about the near term outlook? The demand for funds in 1952 is high and more than ample to absorb the expected continued high volume of consumer saving. Hence the outlook for interest rates for the near term is fairly satisfactory. Demand for new mortgages gives promise of being substantially greater than estimated earlier this year. The volume of new plant and equipment expenditures will rise to a new all time peak this year, and this coupled with refunding of short term liabilities should give rise to net new bond issues in 1952 as large as in 1951.

Long Term View

The longer term outlook, that is, over the next several years, is not so sanguine. As a result of the stimulus of the Korean War and the defense program added to an already high level of private capital formation, we have been engaged in an investment boom which has been excessive in terms of the requirements necessary to take care of depreciation and obsolescence, population growth and a normal increase in the standard of living. New orders for capital goods have fallen substantially below the level of production in the past few months, and if this trend continues, a cyclical peak in capital goods activity should be reached in the latter part of this year, despite the defense program.

Such a decline coupled with evidence of a cyclical peak in housing and consumer durables could well represent an overall cyclical turning point for business. In such an event the demand for funds would decline materially in relation to supply, and a lower level of interest rates would ensue.

Mortgage interest rates, since they were sluggish in reflecting the increase in interest rates, will probably be somewhat sluggish in any decline in general interest rates. Such a decline would be reflected first in better market reception of GIs and FHAs. There is already some evidence that this is taking place to some degree. This longer term outlook for lower interest rates should not be confused with a long term downward trend in interest rates. A number of people feel that our economy will not be able to generate sufficient investment outlets over the next decades to absorb the level of savings of our economy and that consequently interest rates will trend downward over the next

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What's New in Some

NEW MORTGAGE OFFICES

Another visit to mortgage offices over the country where building, re-building and remodeling have created some streamlined workshops

WHEREVER you go in these United States today, you'll find the mortgage industry being re-quartered in new and modern offices. In this series we've looked at more than a score of offices from coast to coast, and there always seems to be one thing that was uppermost in the minds of officials: more space was necessary and, when possible, the move was made with an eye to further expansion.

The American Equity Group in Miami is a case in point. Like so many mortgage offices, it moved from the dead center of the city, went nine blocks away and got lots of space—in a former department store building.

Its present volume of business—both mortgages and insurance—made it imperative to get more room and in anticipation of continued growth following the pattern set since incorporation in 1936, demanded a move that would take the future into consideration. *(See photos page 14.)*

The Group embraces American Title and Insurance Company, Equity General Insurance Co., South Atlantic Title Insurance Co., and U. S. headquarters for Baloise Fire Insurance Company Limited.

The visitor enters the corner building through wide, glass doors. Here is the hub for the cashiers' windows, executive and transacting offices. A winding stairway to the right leads to the mezzanine, where are located other executive offices, underwriting and accounting departments, completely enclosed and sound-proofed IBM tabulating room and record vault.

The mortgage loan department is immediately to the left of the building entrance, directly behind the application office and information booth. The executive office is located adjacent to both the lobby and the entire department to facilitate customer and employee convenience. Many steps and much time are saved by this adjacency feature.

Frank E. Denton, vice president in charge of the mortgage loan department and past president of the Greater Miami MBA, says that "weeks of blueprint planning are represented in our present office layout. We wanted to be sure that we would have an office that would not only encourage efficiency, but also provide the utmost in the comfort of our employees and convenience of customers."

All allied departments to the mortgage loan business are arranged within easy reach of each other so that the minimum of time is lost in transactions. Files and records are easily accessible. Mr. Denton estimates that at least 40 per cent in space is saved by the utilization of open shelves for mortgage loan files in the compact file room, to the rear of the department.

Only a little over two stories of the five story building are now occupied by the American Equity Group. The remaining portion of the building, which is mostly comprised of rented office space, is the "reserve" for the anticipated future expansion. The department store, display-window front was filled in to give it a modern, office-building look. A bank of three elevators is installed in the rear of the office. Complete air-conditioning and muted, fluorescent lighting complete the new offices comfortable and spacious interior.

The building is nine blocks from the center of Miami, on a major, one-

The First Trust Company of Austin, Texas, is another member firm which has done over its quarters in the modern manner. Below, left, the exterior of the firm's building after remodeling and, right, the modern lobby. Lending officers and collection department are on this floor while the "workshop," as W. T. Mayne, president, describes it, is on the balcony section.

Modern decor, streamlining for efficiency and some innovations feature the J. Halperin-Community Funding Long Island operation.

way thoroughfare, and only one block off Biscayne Boulevard. Ample parking facilities are provided by two lots, one next door to the building, the other across the street.

The mortgage loan department includes the American Title and Insurance Company, and its affiliate, the South Atlantic Title Insurance Company. The department is currently servicing for leading life insurance companies and other large institutional investors $55,000,000 in mortgage loans on improved residential, commercial and income properties in Florida.

give departmental separation while still allowing central supervision.

Among the innovations are custom-designed typists' desks in the processing department. Adapting an idea from the old roll-top desk, with its numerous cubby-holes, a new desk in contemporary, functional form was worked out, with the area above the desk utilized for the temporary piling of applications and folders. In this way the size of each desk has been reduced by 50 per cent. The open compartment units attached to the desk tops make possible immediate classification of folders.

PERSONNEL

In answering advertisements in this column, address letters to box number shown in care of the Mortgage Bankers Association of America, 111 West Washington Street, Chicago 2, Illinois.

Experienced mortgage loan officer desires permanent position with investment institution buying and holding mortgage loans. Considerable experience originating, closing and servicing conventional, insured and guaranteed loans including 608s and 207s. Age 33. Satisfactory reason for leaving present position. Write Box 250.

Appraiser, 38, 21 years' diversified mortgage experience with two leading N. Y. institutions, desires permanent re-location, preferably west of Mississippi. Experience profile on request. Write Box 251.

A LONG ISLAND CREATION

Something rather new in mortgage office design is seen in the quarters of J. Halperin & Company and Community Funding Corporation of Jamaica, Long Island. Problem for these firms, Irving L. Wharton, vice president, said, was to cut costs by using less space and cut down traffic, that is, the distribution of work material.

The office designers came up with a custom designed "row type" clerical and typist desk that gives them a 50 per cent space savings over conventional desk designs. The desk arrangement plan allows for a simple forward-and-back passing of work material from the center or receiving row of desks. Sliding glass wall panels

Homer Warren & Company, Detroit, recently opened a new suburban office to handle complete mortgage loan services in Oakland County. It's equipped to handle the entire mortgage transaction from original application to final closing so the parties will not need to go downtown. It was the first branch to be opened by this firm.

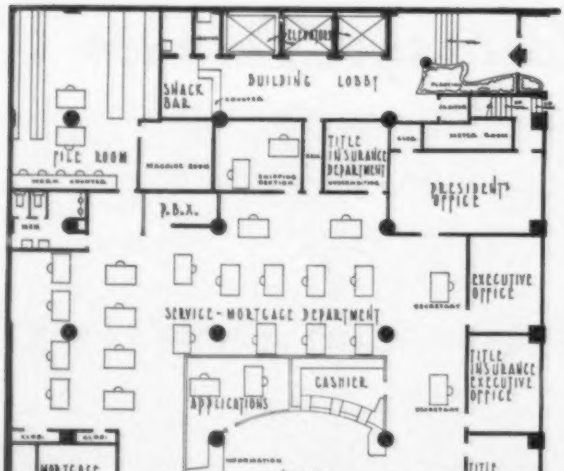
STREAMLINING OPERATION IN CHICAGO

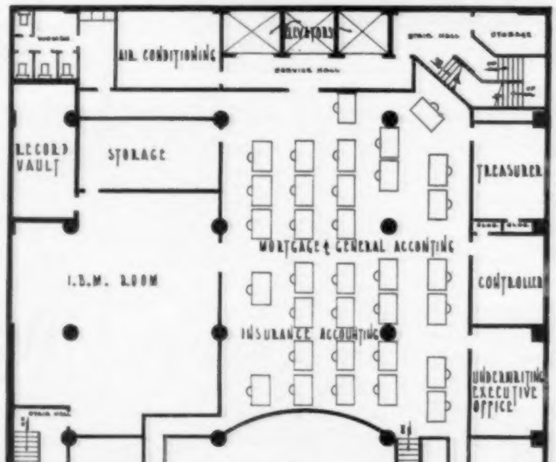
Salk, Ward and Salk in Chicago are in new quarters which, for function and appearance, present one of the most modern office arrangements seen anywhere. Its layout and style reflect the most efficient and simplified operation for handling all aspects of mortgage financing. The company's lending activities have extended from Florida to California with loans in 26 states.

The various departments are organized and placed for close coordination and the natural flow of work and traffic. The general layout follows an inverted L as shown in the accompanying sketch. *(Page 15)*

The normal flow of work is typically as follows: When an inquiry is received the office files are first checked to determine whether there is any previous information on the property. Then a preliminary discussion is held with the appraisal department. The loan request is then presented at a staff meeting and a decision is made as to whether or not an application will be taken. Staff meetings are held daily at which all incoming loan requests are analyzed

Below, layouts of the two lobby floors of the new American Title and Insurance quarters in Miami showing how their operation has been departmentalized. Upper right, the mortgage loan department, the lower lobby floor and the exterior.





and discussed. These meetings are attended by the men in the office and consist usually of the loan officer, appraiser and one or more of the principal executives of the company.

If the subject property has merit, a physical inspection of the property is made at once. Following this inspection, if building, surroundings and neighborhood appear favorable, an analysis is made and the terms under which an application will be taken are set. When the application is received, as well as all pertinent information, such as lease, audits, credit reports, survey and other data that may be required, a formal appraisal is made. While it is being finished, the mortgage offering is prepared. Everything is sent on to one of the companies represented by the firm.

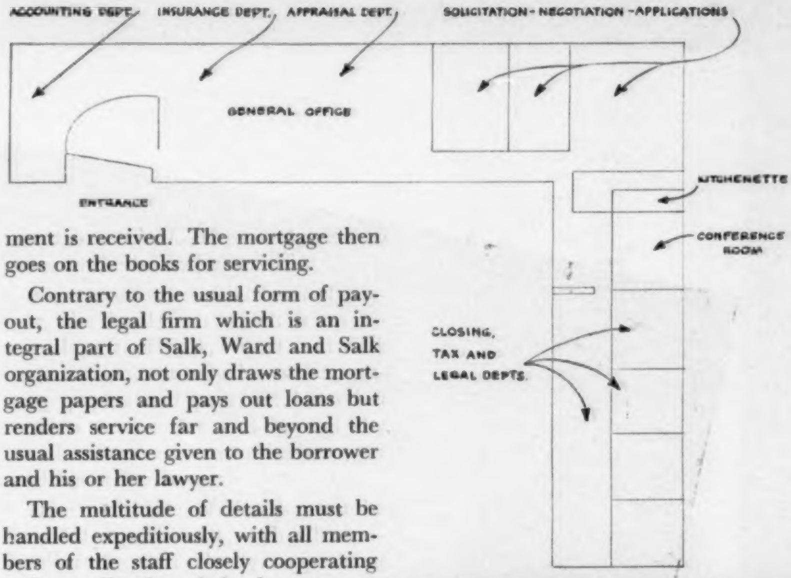
Upon receipt of a mortgage commitment, Salk, Ward and Salk, issues its formal commitment, requesting all legal documents, such as owners guarantee policy, survey, last tax bill, list of existing insurance, etc.

When the title policy is received, the data from the sales department is set forth on a "half sheet" which contains all the terms of the commitment. This is forwarded to the legal department, where the mortgage papers are drawn. After opinion shows clear title, subject only to the mortgage, disbursements of funds are made. When all the documents are in order the mortgage is delivered in a package to the purchaser and payment is received. The mortgage then goes on the books for servicing.

Contrary to the usual form of payout, the legal firm which is an integral part of Salk, Ward and Salk organization, not only draws the mortgage papers and pays out loans but renders service far and beyond the usual assistance given to the borrower and his or her lawyer.

The multitude of details must be handled expeditiously, with all members of the staff closely cooperating and coordinating their departments. The office plan is organized to solve this problem and give prompt service to borrowers and buyers.

The interiors are cool bluish-gray with accents of yellow. All fluorescent lighting, cabinets and filing cases match and are recessed. The offices have accoustical ceilings and are completely air conditioned. Desks are of the modern type in light walnut with posture chairs and office chairs in primrose yellow leather. For the comfort and convenience of the employees, a small kitchenette has been installed in the conference room, for coffee and refreshments.



Above, the compact layout devised for the new Salk, Ward and Salk offices in Chicago. Directly below, the modernistic lobby.

Above, the legal department of the firm, an integral part of the organization. Below, the mortgage loan department.

THE INVESTMENT PICTURE IS GOOD . . .

Believe it or not, this is a $12,000 house. It is one of the homes in Woodman Plaza and L
two new Aldon developments in Los Angeles. It is typical of the $70,000,000 worth of home
$12,000, being built by Aldon during 1952-53. Aldon makes the proud claim that these are th
ever built at popular prices. In the next year, several thousand families will secure their futu
in these homes. Aldon homes offer you, the mortgage banker, sound collateral and diversifica
buy these GI loans with an ***assured high yield!***

T H E F I N E S T H O M

"So We're Going Back to Chicago for the Convention"

YES, for the eleventh MBA Convention and for possibly the one hundredth time for an Association meeting in the Windy City, it's Chicago in 1952. Chicago is always a *safe* city for a Convention, particularly as far as MBA members are concerned because, time and time again, they've indicated their high regard for this centrally-located spot with its many hotels, fine convention facilities and entertainment opportunities. Convention-going is easier and more convenient in Chicago for more people than any other city in the country. That's why in the past there has never been a very long row of MBA Conventions without Chicago cutting in for at least one or two.

September 28 to October 2 are the dates and that's usually a pleasant time to visit Chicago. Chicago's climate isn't the most predictable thing in the world but usually that time of year means good weather. The summer and vacations are behind and the stepped-up tempo that's usually noticeable with the coming of fall is evident everywhere.

Chicago is so well known to just about everyone who attends an MBA meeting that the things one usually says about the convention city hardly need saying. Practically anything and everything that one wants to do and see is available in Chicago and usually on a larger scale than in most cities.

The Chicago that most MBA members will see most while they're there is the Loop section. This is the heart of our second largest city and has been the shopping and commercial center of Chicago ever since the first settlers built their trading posts on the marshy flatlands at the southern tip of Lake Michigan. That was back around 1803. By 1848 when the first railroad train came into town, there were some 450 merchants engaged in a thriving wholesale and retail trade in Chicago. As everywhere else in America, the coming of the railroad opened up vast new areas to trade and commerce. By the end of the 19th century Chicago had become the largest railroad center in the world, and was on its way to becoming the second largest city in America. It was in those years, in 1897 to be exact, that an elevated railway line was literally looped around the center of Chicago, and all of that area enclosed by the steel tracks of the "L" line became known as the Loop.

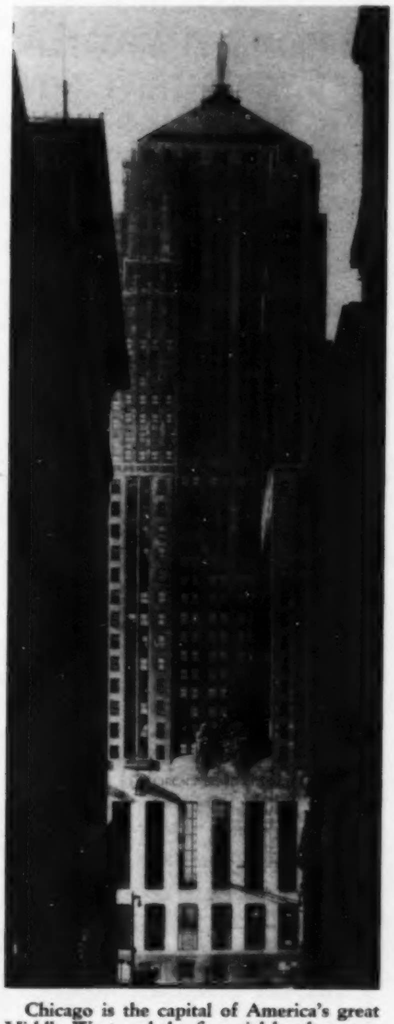
Within the Loop is the world's largest hotel (our headquarters, the Conrad Hilton: 3,000 rooms) and some of the world's dingiest flophouses. Only two blocks from the magnificent opera house are the brassy honky-tonks. On DeKoven Street is the site where Mrs. O'Leary's cow kicked over the lantern that touched off the great fire in 1871. At the corner of Wacker Drive and Lake Street stood the old Wigwam where the Republican Party held its second national convention and nominated Abraham Lincoln as its candidate for president. And this year both major parties are holding their conventions in Chicago.

Within the shadow of the Board of Trade Building in the heart of the financial district is a cowpath, a perpetual easement written into a deed when the property was sold in 1840 by farmer Willard Jones. A law passed that same year banned cattle and

hogs from the city streets, so farmer Jones provided for a cowpath for all time leading from his barn to the pastures where the Board of Trade Building now towers into the sky.

State Street is the Loop's retail shopping center. In and out of the State Street department stores mill a daily average of 450,000 shoppers, who spend close to a half billion dollars a year for merchandise. Here is one of the most highly concentrated retail shopping districts in the world, and here many of the world's greatest merchants—Marshall Field, Carson, Pirie, Scott, Lytton, Rothschild, Stevens, and others—made their first humble beginnings. At night State Street is ablaze with lights. New Yorkers are astonished to learn that pedestrian and vehicular traffic at State and Madison exceeds that of Times Square.

Chicago is a city of magnificent vistas and some of the most beautiful buildings in the world. One of these is an architectural masterpiece, the Museum of Science and Industry in Jackson Park. Convention time will be an excellent opportunity to look around the nation's second largest city. Most mortgage men will be surprised to see the great number of large apartment projects which have been built in recent years, many incorporating new ideas in design, construction and living.



Chicago is the capital of America's great Middle West and the financial headquarters for the Central part of the nation. It's concentrated on La Salle Street where the world's largest grain exchange, the Chicago Board of Trade, looks down on a busy section of the city.

Atop the Board of Trade Building at Jackson Boulevard and LaSalle Street is the 31 foot high aluminum statue of Ceres, the buxom goddess of grain. There could be a no more appropriate symbol than Ceres with which to adorn Chicago's tallest building, for in a large measure Chicago owes its greatness to the grain-bearing prairies. Much of the city's earliest commerce was the shipping of grain east via the Great Lakes and later the railroads. Many of Chicago's great fortunes were made on the grain exchange which began business back in 1848. The grain pit in the Board of Trade Building is the world's largest grain exchange, with 1,500 traders annually handling nearly three-quarters of the U. S. trade in grain futures. And it is grain that earns for the midwest farmers the money they spend for Chicago's radio and television sets, farm machinery, and the thousands of items listed in the 130,000,000 catalogues distributed each year by Chicago mail order houses.

Yes, Chicago is a good town for a convention and an interesting place to visit. Plan to look around while you're there.

CONVENTION EVENTS FOR THE LADIES PLANNED

Two events at the Convention will have a special appeal for wives and other ladies who attend. The first is the annual party on Wednesday night for members and their wives and the second will be a luncheon for the ladies. The latter is scheduled for the Conrad Hilton Tuesday noon and will consist of luncheon, an elaborate style show with master of ceremonies, music, favors and the other things that go to make affairs of this sort interesting for the ladies. Cost of both events is included in the lady's registration—in fact, her registration is being used entirely for these two events. So, if you're bringing your wife to the Convention, tell her that Tuesday noon and Wednesday evening are taken for sure because she will certainly not want to miss either event.

MBA's 39th Convention September 28 to October 2 Will Be Largest Ever Held

WHAT seems certain to be MBA's largest annual convention—larger by a considerable margin, too—is now about three months away. That three months embraces the vacation period, so it's a good idea, if you haven't done so, to make your plans as early as possible to attend. Equally important, who besides yourself from your office will be coming?

The 39th annual Convention will run for four days, September 28 to October 2, the first four days of the week. This gives those who want to do so an opportunity to utilize the preceding week-end and the week-end following the Convention for any trips they may want to make.

While the Convention is a four-day meeting, not every part of every day is taken up with Convention activity. It's spread out over a four day period to give members an opportunity to do the things they would like in Chicago and see the people they would like to talk to.

The program is now being prepared and over the coming weeks members will be receiving announcements of developments as they materialize. In the meantime, keep in mind that the subject matter at the various sessions are divided between topics of general business and mortgage conditions and those relating solely to servicing. By days, the Convention plan shapes up like this:

›› SUNDAY: The executive committee and board of governors will meet prior to the official Convention opening. Such registrations which were not made in advance and which members would like to dispose of on Sunday will be taken that day.

›› MONDAY: Morning is devoted partly to an inspection of the 13th annual Exhibit of Building, Industry and Services. *(See elsewhere this issue.)*

The Convention opens officially that morning at 10 with the various preliminary activities, the President's report, addresses by two speakers, followed by the annual meeting and election of officers and presentation of awards.

›› TUESDAY: The morning will feature the first session on servicing and that noon a luncheon-style show is being arranged for the ladies who will attend the Convention. That afternoon will be given over entirely to committee meetings of which at least ten will be in session. That evening is open, partly because experience indicates that MBA members like some open time when they come to large cities like Chicago and partly because there are always a number of private affairs at these conventions and suitable time must be made available for them.

›› WEDNESDAY: The Convention reverts back to the general session, and at least three, possibly more, men prominent in various segments of the country's national life will address our group. That afternoon will feature the second session on servicing. That night will be the time for MBA's annual party. It's to be in the Conrad Hilton. Some very special arrangements are being made and it is one of the things at the meeting no member can afford to miss. As a reminder, your registration fee includes a ticket to this party; the lady's fee likewise includes a ticket to it as well as the special Tuesday luncheon being arranged.

›› THURSDAY: Morning session will be, as it has been for so many years, a highlight of the Convention. Speakers will include the various government agency officials whose activities are important to the mortgage industry and possibly other speakers as well. The first meeting of the 1952-53 board of governors will take place at noon and the afternoon is free except for such special meetings as may be arranged.

That's the outline for what is ahead September 28-October 2. As for the program itself, it is now in preparation and appears likely to have considerable appeal for members. It's being streamlined to include those things which have a timely and direct interest for us today and exclude those things which — regardless of how interesting they may be—do not have a direct significance for us at the moment.

DOVENMUEHLE HEADS 1952 LOCAL CONVENTION GROUP

President Aubrey M. Costa announced the appointment of a Chicago Convention Committee to direct the planning for the 1952 Convention. It is headed by George H. Dovenmuehle of Dovenmuehle, Inc., and includes Ferd Kramer, Draper & Kramer, Inc., Edgar N. Greenebaum, Greenebaum Investment Co., Lindell Peterson, Chicago Mortgage Investment Co., Delmar Beaumont of Percy Wilson Mortgage and Finance Corp., Howard E. Greene of Great Lakes Mortgage Corporation, and Winfield Warman of Sumner Mortgage Company. Mr. Warman also heads the Chicago MBA this year.

NO ROOM YET? IMPORTANT THAT YOU RESERVE NOW

When the initial announcement was made that the 1952 convention would be held in Chicago at the Conrad Hilton, the point was emphasized that once again the Association would return to a hotel where "all our members could be housed under one roof." Since the Conrad Hilton is the world's largest hotel, with probably the best convention facilities of any in the nation, there was every reason to believe that such would be the case. So far our guess has been correct because, as of now, we're all at the Hilton. The 1952 convention apparently will be larger than any in the past and possibly a few of the late registrants may have to go to adjacent hotels. As of now, more than 1,200 rooms have been reserved at the Conrad Hilton, which is only 300 less than the hotel allocated the political parties for their conventions.

EXHIBIT THIS YEAR WILL BE LARGEST HELD SO FAR

THIS year will be MBA's 39th annual convention and the 13th annual Exhibit of Building, Industry and Services—the latter is just a third as old as the former. As the convention will be the largest on record, so will the exhibit be larger than ever before. The show is being held on the mezzanine of the Conrad Hilton Hotel—called the Normandie Lounge. Traffic to and from the grand ballroom, where the general sessions will be held, is through the mezzanine. The registration desk will be at the north end of the east wing of the Lounge.

Our show this year will feature a greater variety of products and services than ever before. Companies whose services and equipment have a direct relation to the servicing end of mortgage lending will again be prominent. Nationally known companies manufacturing appliances and home equipment will also be well represented in the exhibit, as they have been from the beginning. This year the pre-fabricated housing industry will be on hand with a number of displays.

Exhibitors participating will include General Electric Co., Gunnison Homes, Inc., Marchant Tabulating Machine Company, Crosley Corporation, Crane Co., National Cash Register Company, Financial Publishing Company, Hartford Fire Insurance Company, Briggs Manufacturing Company, Burroughs Adding Machine Company, F. C. Russell Company, Monroe Tabulating Machine Company, York Tabulating Service, International Business Machines Company, Paramount Fire Insurance Company, National Homes Corporation, Western Underwriters Association, Remington-Rand, Inc., and Investors Diversified Services.

Probably more than at any other MBA convention, this year's exhibit will have a stronger appeal for members because of the greater diversity of products and equipment shown. Members should make plans now to devote considerable time inspecting the displays.

Of special interest this year are the machine bookkeeping displays and the relation they will have for the servicing end of the convention.

Bank in El Salvador and Life Company in Hawaii Admitted to MBA Membership

MBA, already international in membership, becomes even more so with the admission of our first member from Central America and our initial member in the Territory of Hawaii. In Central America, it is the Banco Hipotecario de El Salvador in San Salvador, the capital of the Republic. In Hawaii, it is the Hawaiian Life Insurance Co., Ltd., in Honolulu.

With these two institutions as new members, MBA is now represented in Canada, where we have a growing membership, Mexico, Puerto Rico and now Hawaii and El Salvador.

Total MBA membership is still on the increase with the most recent roster showing 1,777 member firms, which includes 145 admitted so far in this Association year. John C. Hall, membership chairman, is anxious that all membership chairmen continue right on through the summer with the effective work they have been doing all year so that the total shown on August 31, at the end of this Association year, will represent an impressive record. An innovation in the membership activity has just been set up and provides for the national office submitting to all MBA members in a given community the names of those who apply for membership in that area. In this way, the work of the Membership Qualifications Committee will be considerably facilitated.

New MBA members admitted include:

CALIFORNIA—Los Angeles, Land Title Insurance Company, Porter Bruck, president, 523 S. Spring Street; San Diego, Union Title Insurance and Trust Co., John C. McGregor, vice president, 1028 Second Avenue.

CANADA—Winnipeg, Manitoba, Aronovitch & Leipsic Limited, E. J. Aronovitch, secretary-treasurer, 460 Main Street

CENTRAL AMERICA—San Salvador, El Salvador, Banco Hipotecario de El Salvador, Gerente del Banco Hipotecario.

DISTRICT OF COLUMBIA — Washington, The Munsey Trust Company, F. W. Stoever, Munsey Building.

FLORIDA—Jacksonville, American National Bank of Jacksonville, Frank Sherman, president, 2031 Hendricks Avenue.

IDAHO—Boise, Continental State Bank, A. B. Wheeler, vice president, 119 North 8th Street.

ILLINOIS—Chicago, Country Life Insurance Co., Raymond M. Frey, 43 East Ohio Street.

KANSAS — Winfield, Albright Investment Company, James H. Albright, 116 East 9th Street.

LOUISIANA — Shreveport, John D. Reynolds, 402-01 Slattery Bldg.

(Continued page 23)

ADVANCE REGISTRATION IS IMPORTANT TO YOU

Have you processed your advance registration form? It was sent to you two weeks ago and if you have not sent it to the headquarters office, properly filled out, then you should act promptly to do so. Advance registration will close September 8. All registrations to and including that day will be shown in the convention program distributed at the opening. In addition, this registration list will be printed separately and mailed to members in advance, so they will know before they leave for Chicago who will be at the meeting.

It's important to you as a matter of good business to have your name and firm shown in the advance registration.

★ YMAC ★

The monthly department devoted to the plans, activities and expressions of opinion within MBA's Young Men's Activities Committee

CECIL LAUGHLIN, *Director*

I HAVE had many letters from younger members of MBA indicating interest in our "organization within an organization," and am sure that a large group will gather at whatever type meeting we have in Chicago during the national convention. We're still looking for suggestions from any of you as to how most of us could get acquainted with the largest number of men in the Association.

A letter was received recently from an interested member reflecting a request that Congress make some provision in its current legislation regarding FNMA funds for those areas not approved for direct GI loans, but at the same time where GI money is not currently available.

The writer further stated that statements appear constantly in the Congressional record regarding housing and home financing indicating that we fail to recognize what might be termed an average segment of our country. (Editor's note: I might suggest to this writer, and any of you who have thought about this problem, that the door is open to communicate direct with your congressman. From our own experience, no letter of a worthwhile nature goes unanswered or unnoticed in the Congress or Senate today.)

Another suggestion was submitted recently by R. C. Larson, executive vice president of C. A. Larson Investment Company, Beverly Hills, California. He suggests that in order for the policy-making committee of MBA to adequately reflect the views of the members as a whole, questionnaires should be furnished concerning any problem of a national scope so that all members could voice their opinions before any decision by the national officers and governors.

Congratulations to Mr. Larson. This is a worthy suggestion and we are hopeful this idea can be carried out.

I also am happy to include in this month's department an article from William H. Osler of W. A. Clarke Mortgage Co., Harrisburg, Penn., regarding methods for the members of YMAC to get better acquainted with the membership of MBA.

More and more interest is being noted on the part of younger members of our organization, and I again ask for each of you to communicate with me as we will need all the support and help we can get for the contemplated activities in September at the convention.

Objectives We Ought To Seek in YMAC

By WILLIAM H. OSLER

THE main goal of YMAC might be safely defined as securing a planned education designed specifically to teach us how to assume eventual leadership in the field of mortgage banking. Sponsored and aided by MBA, we have the opportunity of obtaining a bird's eye view of the types of problems we will be faced with at such time as we are of age and business maturity to hold responsible positions in the policy making of our Association.

Yet how can we best prepare ourselves for future leadership in MBA? To what degree will this goal be attained? As a firm start, the Young Men's Activities Committee held its first conference in Washington last January and came up with several fine recommendations. The most important of these stated simply "that one representative from the young men's group be appointed to each of the standing committees of MBA, and that one or more representatives from the group be elected to the Board or be appointed as an assistant regional vice-president for each region."

This idea represents a sound beginning. What better means can there be of learning policy creation than that of observing, first hand, the actual creation of that policy itself?

We have been most fortunate in receiving the very fullest cooperation from MBA. The Association has provided and will continue to provide the necessary tools which we will need to develop our own position within the organization. By allowing representatives of our group to sit in on their committee meetings they have possibly given us already the most valuable education tool of all.

The rest is up to us. Tools do not direct themselves. We have to apply them to our greatest advantage. One specific way of doing this is to set up an accurate system of communications. Representation on MBA committees is a fine thing. But it will avail us little if the knowledge and information gained by our representa-

tive is not passed on to our entire group in such a way as to enable us all to absorb and digest his material. Obviously only a small minority of us will participate in these meetings. Yet a great majority will be interested in learning just how MBA meetings are conducted and the nature of the problems discussed in them.

One way of providing for this answer is suggested in our original recommendation: "One . . . representative . . . be appointed as assistant regional vice-president for each region." This man could be a co-ordinator between our committee representatives and the rest of our membership. His job would be of real value to our group if his responsibilities were to involve:

» Communication with our committee representative after each and every MBA committee meeting.

» Organization of the reports made to him by these committee representatives.

» The calling of periodic meetings of all the younger group membership within his particular region for the purpose of passing on and discussing this assembled information.

Would Do Two Things

This job could throw a considerable burden on the assistant regional vice-president. But it promises to accomplish two things:

» It would keep mortgage information in constant motion where it would do the most good.

» It would provide a sound basis for regional meetings of our group. We are all new at this game. Meetings would do much to help us get acquainted both with each other and with our industry.

So much for communications.

Another phase of our group goal, individual by nature, might well be mentioned. This approach concerns any specific plan which we may have set up for ourselves for the purpose of developing our knowledge of the mortgage business. There are, for example, several things we can do as individuals, which, through their own ends, will broaden the range and interest of our young men's group. Some of these are:

» Finding some consistent means of keeping in touch, in a very general way, with various national markets. What is happening in related industries? What is the trend of the government's fiscal policy? In what way is the United States Treasury most likely to finance a sizeable deficit if such a deficit exists at the end of 1952? How will such financing effect us? How definite is the continued availability of copper? Is the shifting of labor away from the housing industry and into that of defense, of little or great consequence?

Whether it is by reading a daily newspaper, monthly magazine, or by attending Rotary club luncheons, we will be doing ourselves a great favor by staying close to some of these problems.

» Finding new means of promoting our industry on a local level. A good example of worth while effort in this case, could be pointed in the direction of local American Legion activities. If we could convince enough local posts of the benefits of raising the VA 4 per cent interest rates, it is conceivable that enough momentum might be gathered, in time, to gain sizeable support from national Legion representatives in Washington.

» Doing everything in our power to explore the least known, yet probably the most important phase of our industry—the investment needs of our principal buyers of mortgages. This point applies to just about every member simply because very few of us get the opportunity within our present age range to deal directly with the money sources. Another of our recommendations that came as a result of the Washington Conference states that "arrangements be made for the younger men to meet banking and life insurance executives and various government men who determine policy in the mortgage industry." We should do all we can, both as a group and as individuals, to carry out this idea. Active attendance at MBA's conventions is, of course, one of the best ways to get to meet numbers of these men. The convention environment provides a ground where such introductions are always welcome. Name cards are worn for just that purpose.

At this particular time, YMAC is just beginning to breathe life into its program. The teeth will come later. Right now our goal is simply that of getting an education in the mortgage business. We will undoubtedly find that our group activity will serve us well in this direction. At any rate, the answer should be known at such time as the MBA Convention of 1970 opens.

NEW MEMBERS ADMITTED

(Continued from page 21)

MASSACHUSETTS—Everett, Middlesex County National Bank, Oliver I. Bergstrom, president, 431 Broadway.

MINNESOTA—Minneapolis, Fidelity State Bank, E. F. Hickok, vice president, 2338 Central Ave., N.E.

NEVADA—Reno, Nevada Bank of Commerce, Paul R. Laiolo, assistant cashier, One North Virginia Street.

NEW JERSEY—Asbury Park, T. Frank Appleby Agency, Inc., Theodore F. Appleby, president, Main Street and Mattison Avenue; New Brunswick, New Brunswick Savings Institution, Nelson Dunham, president, 70 Bayard Street.

NEW YORK—New York, Dry Dock Savings Bank, W. G. Beacom, vice president, 743 Lexington Avenue.

NORTH DAKOTA—Fargo, Western States Life Insurance Company, M. H. Ostrem, manager, mortgage loan department, 716 7th Street South.

PENNSYLVANIA — Johnstown, John Hill Real Estate, Inc., Wallace E. Williams, president, 300 Market Street.

SOUTH CAROLINA—North Charleston, Stevenson, Zimmerman & Co., Thomas C. Stevenson, Jr., 208 Cherry Avenue, P.O. Box 85.

TERRITORY OF HAWAII — Honolulu, Hawaiian Life Insurance Co., Ltd., Francis J. Moore, president, Hawaiian Life Building, 1311 Kapiolani Boulevard.

TEXAS—El Paso, The Title Insurance Company, Paul J. Huchton, vice president, 424 Texas Street; Waco, Waco Mortgage Company, Lee Lockwood, president, 1901 Franklin Avenue.

VIRGINIA—Roanoke, McCorkindale & Company, Inc., W. J. McCorkindale, III, vice president, 601-2 Boxley Bldg.

WASHINGTON — Tacoma, United Mutual Savings Bank, Russell D. Harkness, assistant secretary, Washington Building.

ELECT HENRY R. EHLERS

Henry R. Ehlers, vice president, Crocker First National Bank, San Francisco, has been elected president of the Northern California MBA. Other officers elected were vice president, C. C. DeWitt, Jr., secretary-manager, East Bay Mortgage Service, Inc.; secretary, Kirk Whitehead, manager, Mason-McDuffie Co.; treasurer, Roy M. Burton, manager, mortgage loan department, Travelers Insurance Co. Directors elected were Willis M. Holtum, manager, loan division, The Equitable Life Assurance Society; Willis R. Bryant, assistant vice president, American Trust Co.; L. L. D. Stark, vice president, Anglo-California National Bank; Harold E. Edelen, loan supervisor, Northwestern Mutual Life Insurance Co.; and Dwight L. Merriman, partner, E. S. Merriman & Sons.

Mortgage SERVICING *Department*

WILLIAM I. De HUSZAR, *Editorial Director*

Adapting Addressograph Equipment to Mortgage Servicing

By T. J. MELODY

Treasurer, General Mortgage Corporation of Iowa, Des Moines

DURING the past 10 years we have purchased various equipment to streamline our operations and eliminate unnecessary duplications. As a result of this endeavor we had been interested in Addressograph although we didn't believe the equipment would be practical merely to maintain a mailing list of borrowers. After a study we concluded we could use this equipment to prepare our pre-typed receipt media, which had been a laborious task for our cashier each month. We believed we might use this machine for property tax records.

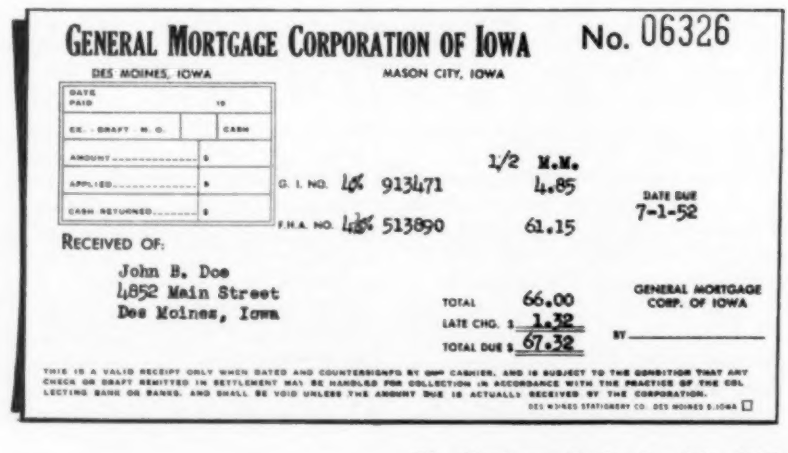
We found that the cost was much less than we had anticipated. We found that we could rather easily adapt our snap-out carbon receipt form to the Addressograph machine as well as eliminate the job of typing from our tax records a list to each county treasurer each year for real estate tax statements. This of course is a job that requires exactness in legal descriptions.

In February, 1952, we started our operation. First we set up our property tax records. A separate plate was prepared on each loan with the following information: name and address of borrower; name of investor and investor's loan number; and legal description from the mortgage record. These plates are filed in drawers by county. When a new loan is opened, a new plate is prepared and filed. When a loan is paid in full the old plate is removed and destroyed. At the time the tax statements are requested, the automatic lister is placed on the machine. This attachment makes an automatic listing on sheets of paper of the information from each plate in alphabetical order. Tabs are placed on the last plate in a respective county group. When the machine reaches the last plate in a county group, a bell rings telling the operator that this particular list is finished. A complete list can be prepared showing the name, address and legal description for each of our county treasurers on two thousand of our loans in two or three hours. Preparation of these lists in the past took several days with the endless job of checking and rechecking for possible errors in legal descriptions. Much of the "human element" of error has been eliminated once the plate is carefully checked for accuracy.

We have set up another set which we call "collection plates." These show name, address, investor, breakdown of payment as to FHA payment, which includes escrow, interest and principal in total, and GI payment or conventional loan payment in total. If this is a 505 loan, the plate shows the FHA payment including escrow in one total and the GI interest and principal payment in another total, as well as the grand total of the 505 loan. The plates also show the investor's loan number, gross interest and participation, where this information is necessary.

We service loans for several investors who, in order to make their accounting uniform, insist on specific reporting requirements. For example: our largest investor requires that all payments be posted on their remittance report in the order of their loan numbers. This means that on 505 loans, the GI portion must be reported on a separate statement in the order of the GI number and the FHA portion again on a separate report in the order of the FHA number. The FHA loans must be further segregated according to gross interest and participation. The participation is taken on the gross interest shown on each report. This means that all payments of various gross interest rates must be sorted before posting. Our "collection plates" have been designed to place this information on a five-part carbon snap-out form in exactly the correct position so the information will appear correctly on the copies. On each copy the not-needed information is blocked out. On this page is shown the carbon snap-out form.

The No. 1 copy is the "audit" copy and is filed by number after the payment is paid. This copy shows all the information previously mentioned. The No. 2 copy blocks out all information except the GI payment. In a straight GI loan, this figure includes escrow, interest and principal and in a 505 loan only the GI interest and principal. The No. 3 copy blocks out


GENERAL MORTGAGE CORPORATION OF IOWA No. 06326

DES MOINES, IOWA MASON CITY, IOWA

DATE PAID 19

CK. - DRAFT - M. O. CASH

AMOUNT $

APPLIED $

CASH RETURNED $

1/2 M.M.

G. I. NO. 4% 913471 4.85

F.H.A. NO. 4¼% 513890 61.15

DATE DUE 7-1-52

RECEIVED OF:

John B. Doe
4852 Main Street
Des Moines, Iowa

TOTAL 66.00

LATE CHG. $ 1.32

TOTAL DUE $ 67.32

GENERAL MORTGAGE CORP. OF IOWA

BY

THIS IS A VALID RECEIPT ONLY WHEN DATED AND COUNTERSIGNED BY OUR CASHIER, AND IS SUBJECT TO THE CONDITION THAT ANY CHECK OR DRAFT REMITTED IN SETTLEMENT MAY BE HANDLED FOR COLLECTION IN ACCORDANCE WITH THE PRACTICE OF THE COLLECTING BANK OR BANKS, AND SHALL BE VOID UNLESS THE AMOUNT DUE IS ACTUALLY RECEIVED BY THE CORPORATION.

DES MOINES STATIONERY CO. DES MOINES 9, IOWA

all information except the FHA payment in total including escrow. The No. 4 copy is the delinquent notice which includes all information except the investor's name which is blocked out. On the fifteenth of the month, if this form remains in the cashier's due file, the late charge is added and the notice is mailed to the borrower. By having this late charge added to the form in total there is no excuse for the cashier missing the late charge. The No. 5 copy is the customer's receipt which, after the collection is made, is simply snapped from the bottom of the form and given to the customer. If the payment is received by mail, this receipt is not sent to the borrower except upon request. Each copy is of a different color. When our cashier wishes to sort her FHA from her GI and conventional loan payments, she simply sorts the media by color. We file the "collection plates" for our branch office alphabetically in a separate file.

The plates are also used for customer mailings. A mask is installed on the machine which blocks out all information except the name and address for mailing purposes. We can address a letter to each of our two thousand loans in about an hour. We have placed tabs on the plates that identify our *in town* and *out of town* loans. When we want to mail a letter to either of these groups the machine will sort the plates and address the group which we wish to be addressed. Twenty-four separate tabs can be installed for sorting our loans by various groups, etc. This could be increased to sixty positions or tabs.

We think we have merely scratched the surface in our use of this equipment. The possibilities seem unlimited. You may ask "Could we afford this equipment?" So far our total cost, which includes machine, lister and other additional items, together with the preparation of all property tax plates and collection plates, is under $2000. In these days of a scarcity of competent personnel, we could not afford to be without this equipment. If records are set up correctly on plates, the possibilities of error are reduced to a minimum. At present we are operating with two less employees than we were one year ago. We plan to use this equipment quite extensively in the future for direct mail advertising of our real estate, insurance and loan departments.

WHAT'S BOTHERING YOU

The ring is all set for the first round. Your referee is ready. In one corner we will have the investor; in the other, the servicing agent. Here goes the gong:

(As indicated in the June issue, we will print in this column gripes that are on our minds, i.e., the investor will air his problems created by the servicing agent and vice versa. It is hoped that it will bring about a self-examination of procedures in each office. This, in turn, will undoubtedly throw light on shortcomings that can be corrected.)

INVESTORS' CORNER: "A large number of correspondents fail to show our loan numbers on remittance reports and correspondence. In most instances the failure to use our numbers is nothing but negligence on the part of the correspondent since we are sure that our numbers are readily available on the correspondent's ledger cards or loan files."

REFEREE: Four investors listed this as their greatest gripe. We believe many office managers fail to indoctrinate their employees as to the importance of using the investor's loan numbers. This can be done . . . so let's do it.

CORRESPONDENTS' CORNER: "Investors delay answering letters that require immediate attention, causing embarassment to the correspondent and resulting in inefficiency which reflects not only on the correspondent but also the investor."

REFEREE: This happens quite often particularly when the correspondent needs an immediate response regarding the handling of a delinquent account. Investors can correct this by either giving their deserving correspondents more freedom of action which would eliminate the necessity of correspondence or seeing to it that certain types of inquiries from correspondents are acted on immediately.

End of first round.

(Send us your gripes even though they may seem trivial. We will print them. Publication of these items will bring about an improvement in servicing procedures and consequently a more pleasant relationship.)

First 2 Mortgage Banking Seminars Open in Chicago; Western Seminar in August

THE second and third educational events for 1952 in MBA's program, the two Mortgage Banking Seminars at Northwestern University, are convening in Chicago this month with capacity attendance. The fourth event in the program, the Association's first Western Mortgage Banking Seminar, is scheduled for Stanford University in August. In Chicago this month the fifth annual basic Seminar will precede the second annual Advanced Seminar. Continued high interest in these educational training programs for younger people in mortgage lending and investing is a clear reflection of the long-term planning which lending institutions are doing, particularly in that most important part of their operation—their personnel.

A partial list of those registered for the basic Mortgage Banking Seminar includes:

Philip C. Jackson, Jr., Jackson Securities & Investment Company, Birmingham; John T. Nixon, Liberty National Life Insurance Company, Birmingham; Norman E. Penquite, Western American Mortgage Company, Phoenix; Charles P. Mattingly, The Wall Street Analyst, Tucson; R. S. DelDonno, The Deming Investment Company, Little Rock.

James W. Bradley, Dwyer-Curlett & Co., Los Angeles; James W. Bryant, The Great-West Life Assurance Company, Winnipeg; Konrad F. Rother, Dovenmuehle, Inc., Chicago; Joshua I. Miller, Citizens Bank of Maryland, Washington, D. C.; Robert J. Franey, The W. R. Kelley Company, Washington, D. C.; Charles R. Finnell, Henry S. Huidekoper, H. Evans Smith, Jr. and William W. Smyth, Walker & Dunlop, Inc., Washington, D. C.

Betty T. Henderson, Loyd S. Lyle, American Title and Insurance Company, Jacksonville; N. C. Slade, Jr., Peninsular Life Insurance Company, Jacksonville; J. Mark Stanley, Jr., City Mortgage and Loan Company, Miami; Charles L. Knight, Eugene Knight Incorporated, Tampa; A. C. Frazier, Georgia Loan & Trust Company, Macon.

Donald E. Moore, Dovenmuehle, Inc., Chicago; Siefred Dwyer, Stanley H. Trezevant & Co., Memphis; Kenneth M. Burns, Federal National Mortgage Association, Chicago; Robert K. Gannaway, Clarke C. Stayman, The First National Bank of Chicago, Chicago.

Frank Coleman Ogdon, Merchants National Bank in Chicago, Chicago; Wm. Simon, Jr., H. F. Philipsborn & Co., Chicago; Theodore M. Wilson, Percy Wilson Mortgage & Finance Corporation, Chicago; Richard D. Gilroy, Hicks Fallin, Inc., Peoria; Herbert O. Haaker, Stanley G. Howard, The Franklin Life Insurance Company, Springfield; Maxine Green, Sue Shearer and Russell Truitt, H. Duff Vilm Mortgage Co., Indianapolis; E. Harold Carlson, Central National Bank & Trust Co., Des Moines.

Rock J. Martin, Charles E. Bullard Company, Inc., South Bend; Keith R. Wright, Equitable Life Insurance Company of Iowa, Des Moines; Eugene Bailey, The Deming Investment Company, Oswego; Herman Oakes, The Deming Investment Company, Wichita; Charles Neil Stillwell, The Monarch Investment Company, Wichita.

Peyton T. Talbott, James H. Pence Company, Louisville; Sue C. Wuetcher, West Company, Louisville; David C. Crowley, Jr., Chas. H. Steffey, Incorporated, Baltimore; David H. Hayes, Worcester Federal Savings and Loan Association, Worcester.

Stuart Ballou, Genesee County Savings Bank, Flint; Robert W. Law, Knutson Realty Company, Minneapolis; Howard D. Brenner, John F. Lessman, M. R. Waters & Sons, Incorporated, Minneapolis; Edward H. Lundquist, The Union National Bank of Rochester, Rochester.

Myron E. Blessing, The Kansas City Mortgage Co., Kansas City; L. F. Hoebel, Mutual Benefit Health & Accident Association, Omaha; V. F. Miller, United Benefit Life Insurance Company, Omaha; Malcolm H. Rosenfeld, South Jersey Mortgage Co., Camden; Emanuel Brotman, Harold Buchbinder, J. I. Kislak Mortgage Corporation, Jersey City.

Charles J. Kilmer, The Binghamton Savings Bank, Binghamton; Mrs. Geraldine Arber, Mrs. Margaret Godfrey, H. J. Ludington, Inc., Buffalo; Joseph H. Bostock, Teachers Insurance & Annuity Association of America, New York; Joseph M. Coggins, Mrs. Cornelia V. Cripps, Miss Edna Rouse, H. J. Ludington, Inc., Rochester.

J. C. Kern, The Dime Bank, Akron; M. A. Schneider, The Home Loan and Securities Corporation, Cleveland; Ward C. Case, W. Lyman Case & Company, Columbus; Ray H. Miller, Gill Associates, Inc., Toledo; Kenneth Brinkley, Dan Walding, Home Mortgage & Investment Co., Oklahoma City.

C. Ellis Hunt, Chandler-Frates Company, Tulsa; F. C. Bantuelle, The Deming Investment Company, Tulsa; Leo T. Gibson, Standard Mortgage Company, Tulsa; Charles P. Stubbe, Eastern Mortgage Service Co., Philadelphia; J. Wray Murray, The First National Bank of Memphis, Memphis; Lavin J. McNicholas, James E. McGehee & Co., Inc., Memphis.

Robert L. Smithers, Miss Maxine Wall, First-Austin Investment Corporation, Austin; Porter Morris, J. Austin Tatum, T. J. Bettes Company, Houston; Hiram Jordan, Jr., Read-Thompson Mortgage Company, Lubbock; Alan B. Prosise, Jr., McIntosh and McIntosh, Incorporated, Arlington.

C. Irving Arnall, Jr., Claude R. Davenport, Jr., First Mortgage Corporation, Richmond; William B. Evans, First Mortgage Corporation, Norfolk; William E. Wright, Beattie-Firth, Inc., Charleston; Stephen S. Cheske, L. L. Freeman, Inc., Racine, Wis.

A partial list of those registered at the Advanced Seminar includes:

George Lucien Bates, Cowan-Irvine Company, Inc., Mobile; Charles P. Mattingly, The Wall Street Analyst, Tucson; T. R. Lamon, The Manufacturers Life Insurance Co., Toronto; James W. Bryant, George C. Elliott, The Great-West Life Assurance Company, Winnipeg; Joseph B. McClain, Lantz & Company, Denver; David W. Boardman, The Title Guaranty Company, Denver.

Harvey Moger, Connecticut General Life Insurance Co., Hartford; George W. Gilligan, George W. Gilligan, Inc., Washington, D. C.; Robert J. Franey, The W. R. Kelley Company, Washington, D. C.; N. C. Slade, Jr., Peninsular Life Insurance

(Continued page 32)

THEY PLANNED MBA'S FIRST WESTERN SEMINAR: This group got together in San Francisco to make plans for the forthcoming August Mortgage Banking Seminar in Stanford University.

TOP ROW, LEFT TO RIGHT: L. Polk Dodson, Jr., vice president, American Trust Company; James Alger, vice president, Marble Mortgage Company; William A. Marcus, senior vice president, American Trust Company; Linden L. D. Stark, vice president, Anglo California National Bank; Mark Gerecke, Canada Life Assurance Company; Walter Ward, vice president, Washington Mutual Savings Bank; R. Norris, president, Norris, Beggs & Simpson; R. Moretti, vice president, Bank of America; Wilbur Warner, vice president, Western Mortgage Company, and R. Shearn, assistant vice president, Bank of California.

BOTTOM ROW, LEFT TO RIGHT: Kirk Whitehead, Mason-McDuffie Co.; George Thomas, president, Baldwin & Howell; W. M. Holtum, Equitable Life Assurance Society; Frank J. McCabe, Jr., MBA director of education and research; W. R. Bryant, assistant vice president, American Trust Company; W. R. Aydelott, president, William Stanwell Company; E. S. Cox, Pacific Mutual Life Insurance Company, and Lloyd Brinck, assistant vice president, Wells Fargo Bank & Union Trust Co.

DETROIT MBA TAKES LONG TERM LOOK AT FUTURE

Detroit mortgage bankers are giving serious thought to the extent and directions of that city's growth, both in the immediate future and the next two decades. Arthur F. Bassett, president, Detroit MBA, asked that organization to devote a meeting to the subject and they did recently to learn that suitably-prepared building sites to house the anticipated new population are not in sight.

George Matthews, a Detroit Edison Company official, spoke and outlined his company's view of the anticipated growth of the whole Detroit area. Pointing out that if the company's Load Forecasting Committee is wrong either way 2 per cent on short term predictions, or 5 per cent on five-year forecasts it will be costly, for company surplus equipment either will stand idle or there would be a serious overload on the turbines or inability to serve customers. Matthews declared the company is planning to generate over 11 billion kwhrs in 1955. The figure compares with 4,319,000,000 kwhrs output in 1941. The population estimate for the southeastern Michigan region indicates a growth from 1950's 3,400,000 to over 4,300,000 in 1970.

The land problem, Norman O. Stockmeyer, president of the Detroit Real Estate Board, said, is caused by the prohibitive expense of development, due chiefly to the sewer and water installation costs. Stockmeyer explained that large project builders can afford to buy raw acreage and develop their own land because their profit is in building, the land cost being quite incidental. However, he emphasized, nearly 70 per cent of the homes built in the Detroit area are constructed by builders who erect less than 25 homes a year each. These builders cannot afford to develop the land, and group or syndicate development has not been found to be practicable.

The only solution Stockmeyer could offer was the creation of a sewer and water authority, with power to issue revenue bonds, create special assessment districts, and install sewer and water trunk lines and sewage disposal plants. At present, he said, the expense is too great for new municipalities to bear by themselves, particularly in view of the artificial barriers erected by municipal boundary lines. As an example, he pointed to a township which laid a trunk sewer leading to connections with a disposal plant in another municipality. The other municipality has grown so that the plant is not adequate to handle more than its own lines, so connecting trunks will have to be cut off.

Considerable discussion of the sewer and water authority proposal has followed the meeting and there is a probability other interested groups will tackle the problem. At any rate, the mortgage bankers found that new housing may not keep pace with population growth if a solution to the land improvement problem is not found.

AT THE BIRMINGHAM MBA MEETING: At the speaker's table, left to right: James F. Sulzby, president, Alabama Real Estate Association; O. G. Gresham, former MBA regional vice president; John C. Hall; President Aubrey M. Costa; Louie Reese, president, Birmingham MBA; Hugh Denman, vice president; Frank S. White, secretary-treasurer; R. E. Smith, president, Birmingham Home Builders Association.

PLANS ORGANIZATION OF A STATE WIDE MISSOURI MBA

Plans are underway to organize a state-wide Missouri Mortgage Bankers Association. Previously local mortgage associations have been in existence in St. Louis and Kansas City. Charles H. Christel of St. Louis was named chairman of the group to formulate plans for the organization. Preliminary plans were made at a state-wide conference in St. Louis. Speakers included Tom McReynolds of Roy Wenzlick Company, William Abbott of the Federal Reserve Bank of St. Louis and William Bradshaw of the school of business at the University of Missouri.

» FOOTNOTES: Forget the "President" in connection with MBA President **Aubrey M. Costa.** Just call him Commodore because that's what he is now a a result of his appearance before the Oklahoma MBA. He was properly and duly commissioned as a Commodore of the Oklahoma Navy by Gov. Murray. . . . **H. J. Mendon,** vice president of the California Bank in Los Angeles, has been elected president of the California Bankers Association. . . . American Title and Insurance Company of Miami, announced the appointment of **Ervin J. Brandt** as vice president. His prior association was with the Commercial Standard Insurance Company of Fort Worth and before that he was title officer for Kansas City Title Insurance Company and served concurrently as vice president and general manager of Lawyers Title Insurance of Texas, Inc., and president of the Dallas County Abstract & Title Company.

George H. Dovenmuehle, Chicago, has been named president of the Chicago Dwellings Association, a not-for-profit organization to provide low-cost veterans housing. The association expects to start work this year on its first project, a 17-story building with 318 units.

Franklin Title & Trust Company, Louisville, announced that **Charles Lamar** has been elected vice president and Secretary of the company. W. Gentry Harpole has resigned as vice president.

William L. Leighly was named executive vice president of Dovenmuehle, Inc., Chicago. He joined the firm as vice president in 1945.

Farm Mortgage Debt's Big Rise

Farm mortgages recorded a sensational rise last year

FARM mortgage debt took a big jump last year. On January 1 it had risen to $6,299,575,000, after one of the largest increases in 34 years.

The increase was 8 per cent during 1951, continuing a rise which started six years ago. The increase during 1951 lifted farm mortgage debt to about the level of January, 1942, when it totaled $6,372,277,000. The January, 1952, total, however, was still far below the $10,785,621,000 top recorded January 1, 1923. The value of mortgageable property on January, 1952, was much higher than in either 1942 or 1923.

Also on the rise during 1951 were non-real estate debts of farmers, which reached a record high of $7.3 billion on January 1, 1952. This is an increase of 18 per cent from a year earlier, when the total was about $6.2 billion.

The rise in farm mortgage debt occurred wholly in the first half of 1951. In the last half the number and the dollar total of new mortgages recorded were lower than in the like 1950 period.

During 1951, farm-mortgage debt rose in every state. The greatest increases were 24 per cent in Florida and 16 per cent in Colorado and Idaho. Increases averaged 12 per cent in the Mountain and Pacific states and 11 per cent in the South Atlantic states.

Farmers are still pretty well off, in fact, probably the most favored group of citizens in the country today. Average income of farmers has shown a rate of increase over the past decade nearly twice that of city and town dwellers.

Many factors of course are responsible for this trend, such as the big rise in agricultural production due to mechanization and improved farm techniques, the boom in farm prices, and the government's farm support program in its various facets. However, a large part of this development can be attributed to the decline in farm population and the acceleration of the long-term movement of people from the farm to the city in response to the expanding job opportunities in business and industry.

Total income of persons living on farms, from farming and nonfarm sources, added up to $23.8 billions last year, virtually the same as the peak agricultural income of 1948. Per capita income, however, was at a record high in 1951 as a result of a substantial farm population drop in the last few years, and amounted to $1,020 as against $949 in 1948.

The average per capita farm income last year represented an increase of 290 per cent over the corresponding figure of $262 in 1940. In this period, the average per capita income of the nonfarm population rose from $686 in 1940 to $1,707 in 1951, an increase of only 150 per cent.

Average nonfarm income is still, of course, much greater than that of persons living on farms owing to differences in living costs and other conditions. Whereas the average city and town resident in 1940 had an income about 150 per cent greater than that of the average farmer, by last year this ratio between the two had been cut in half.

With respect to the number of people living on farms, recent figures show that the farm population has declined by about a fifth in the last decade in a period when the total U. S. population was recording a spectacular increase. There was a big drop during World War II, a temporary reversal at the end of that conflict, and a resumption of the downtrend in 1948.

(Continued on page 32)

Pension Fund Market for Mortgages

If it can be developed, here is a huge market for loans

MORTGAGE lenders over the country profess to see a growing tangible interest by pension funds in mortgages for investment, partly as a result of the first sustained effort ever made by our industry to show these pools of investment capital the role which mortgages can play in their programs. It isn't new for mortgages to be an accepted investment medium for these funds because many lenders have been selling to them for years. But developing them as really substantial buyers of loans is still in the future and it is going to take a lot of education to break down the natural hesitancy of the fund managers to go into what for most of them will be a new field.

MBA members over the country, in their own way and following patterns of presentation suited to their own territories, are making some real progress in developing this field. Certainly the size and importance of pension funds as a market for mortgages—as was so graphically shown at the Pension Fund Conference in New York last November—has not been exaggerated. For instance:

» One out of every eight dollars of the country's total personal net savings is now going into private employee pension funds.

» Money being accumulated through employer and employee contributions to private group pension funds now constitutes 12 per cent of total U. S. 1951 personal net savings of $17 billion.

» More than two billion dollars a year is now flowing into private pension, retirement and profit-sharing funds, thus making them one of the country's largest single sources of investment capital, says an Investors Diversified Services study.

As a further indication of the great role of pension funds within the life insurance industry, more than 3,250,000 workers are now covered by the 12,260 insured pension plans in force in the United States, largely the product of the years since 1940.

Eventual retirement income to be provided by these plans is at least $1,125,000,000 annually, with large additions being made each year.

"The past decade has seen a remarkable growth of interest in pension planning," the Institute of Life Insurance observes. "As an indication of the desire on the part of workers for organized pension plans, they have become a part of collective bargaining in many cases; and payments into pension funds have often been accepted as an alternative to portions of wage increases. Had it not been for the wage freeze under the Stabilization Program, which included pension plans, the total in force would probably have been much greater by now."

More than $6,000,000,000 has already been set aside with life insurance companies by employers and employees, to back up the guarantees of the retirement plans. Premiums are being paid currently to the life companies under these pension plans in the amount of just over $1,000,000,000 annually. In addition, the funds are growing at the rate of about $200,000,000 a year from investment earnings.

In 1940, insured pension plans numbered only 1,530 and those plans covered 695,000 workers. The number of plans had grown to 6,700 by 1945 and the persons covered to 1,515,000. Since then, insured pension plans have just about doubled, both as to number of plans and total workers covered.

About two-thirds of the workers are now covered by insured pension plans.

The Modern in Low Cost Housing Is Being Well Accepted

Not too long ago almost anyone —especially a lender—would have turned up his nose definitely and finally at the idea of a flat top house. Not so today, all because Earl W. Smith (Flat Top Smith as he is often called out in Northern California) has shown that this type of construction is sound, attractive and saleable. What's more important, costs are cut drastically. Here he tells what he was up against when he started to put up these low cost houses and how they have worked out.

By EARL W. SMITH

FIVE years ago, when I first started building low-cost, flat-topped modern homes, I wasn't a bit surprised when people thought I was crazy.

Those were the days when all the wise gray heads in the business shook mournfully over my plans; when all my good friends chanted like a Greek chorus that "modern houses were meant for millionaires and a sprinkling of college professors—they just won't sell to John Smith and his wife."


Earl W. Smith

But today I'm a lot less patient when I hear the familiar refrain that "it's safer to stick to traditional when you're talking low-cost houses." Because today the salability of good modern homes is no longer a matter of opinion—it's a matter of solid fact.

The simple truth is that the economies of modern design make it possible for a careful builder to produce a better house on a substantially lower budget—and it's an old American custom to want your money's worth.

I might never have become so obsessed with the idea of mass-producing modern houses if I hadn't started my career as a carpenter and learned the hard way exactly how many motions were wasted in the process of adding gingerbread to the structure of a house.

I certainly could never have tried it if I hadn't had moral support and tangible assistance from the American Trust Company, the Bank of America and the San Francisco FHA office.

And I wouldn't have had a prayer of succeeding if the average young American family weren't hardheaded enough to recognize a bargain when they saw one and hang on to it once they'd found it.

But by now the time has come for even the most conservative investor to sit up and take notice of a few facts we've established in our five years of experience with volume building of flat-top houses for families of limited income.

First, the houses have sold—from our 1947 output of 30 homes to our present large volume, they have all been snapped up as fast as we put them on the market. And the houses going up in our latest development, Shore Acres, near Pittsburg, California, are finding the same acceptance. This community, when completed, will contain 2,500 houses and a shopping center.

Second, they have, to our knowledge, *stayed* sold. Not one mortgage has ever been foreclosed on any of these houses. And more often than not, when our buyers have had to re-sell for personal or business reasons, they have turned a handsome profit. Only last month, in our Centerville tract, a young chemist from Utah found at the last moment that he was not, after all, going to be transferred to his company's California plant. He made $700 on the contract he had already signed for a flat-top house. And the family who bought his house is equally delighted with the bargain they struck.

Third, they have consistently demonstrated that clean modern design saves important money. Our Shore Acres homes, for example, are the only homes in the country built under the provisions of the National Defense Housing Program, which have a selling price of $1,000 *below* the ceiling fixed by HHFA; rent for $10 a month *below* the figure set. Yet these two-bedroom homes offer carports, storage lockers, a fenced-in rear yard, a landscaped front lawn and a carefully worked-out plan for adding a third bedroom at a minimum cost to the owner, with maximum convenience for layout and design.

I don't pretend to have worked miracles by turning out Shore Acres homes at a sale price of $6,495; a rental fee of $57.50. Any skilled organization can do the same thing if they dedicate themselves to discovering the multifarious ways in which modern design can save time and money without in any way diminishing the value of the product.

The miracle, if there was one, was in the wholehearted support I found from the very beginning from Julian Unruh of the American Trust Company, Rome Moretti, vice president of the Bank of America and Ben Byrnes, chief architect of FHA's San Francisco office.

Photos by Living for Young Homemakers and Roger Sturtevant

None of these gentlemen were in a position to take chances on a crackpot builder with a visionary scheme for giving the American people a better home for less money. Any one of them would have had a hard time justifying their decisions if I had failed to produce as promised. Yet all of them stuck their necks out at a time when few people would have, simply because they shared my conviction that the low-income home buyer deserved a better break.

Risks like this are the kind that make history. And, happily, in an economy like ours, they often make money besides. Moretti took the plunge in the name of the Bank of America because that institution's prosperity has been founded on a policy of "serving the little guy." From its inception until today, the Bank of America, he tells me, has considered "anything that will produce a better product at a cheaper price a step in the right direction." Ben Byrnes put his weight behind FHA approval of our houses because in our area the FHA takes a serious view of its responsibility to home buyers. If there is a way in which they can help the public to get more for its money, they're willing to gamble on it. And don't for a moment think that gambling with their reputation for sound judgment of houses is any less weighty a matter than gambling with mortgage money would be to a bank.

Don't get the impression, however, that either the Bank of America, the American Trust Company or the San Francisco FHA went along with me on blind faith. On the contrary, I sweated out a great many searching sessions with all three organizations before their final approval came through. And they studied every figure I submitted with hawk's-eye care before they at last agreed that my plans for flat roofs, slab construction, asphalt tile flooring and plank-and-beam roof construction were actually as economical and as practical as they appeared to be on paper.

As a matter of fact, it was not until I had built a model home and *shown* how my plans materialized that their financial support was officially assured. Moreover, we all held our breath until the first sale was clinched. Fortunately for our peace of mind, that happened even before the model house was completed, when a young woman who was driving by stopped her car at first sight of the house and left a deposit on the spot.

All this might be just so much water under the bridge. And the good fortune we, and other builders, have had with a total of several thousand houses in the past five years wouldn't be worth your consideration if it didn't have a certain significance for all the millions of houses to be built in years to come.

For those of you who may still be wondering whether or not it pays to invest your institution's funds in low-cost modern houses, no matter how well planned, my stubborn insistence, the American Trust Company's and the Bank of America's faith in "bringing down prices for the little guy" might be worth a lot of money. We took a chance, but you won't have to. When it's your turn to make the decision all you will have to do is open the door to opportunity.

The flat top makes it possible to get a really low cost. . . .

Side view of the flat top

Flat top from the rear

Interior of the flat top

FARM DEBT RISE

(Continued from page 28)

Last year the farm population fell more than a million, one of the greatest annual declines on record, and brought the total number of persons earning their livelihood in agriculture down to 23.3 millions at the close of 1951. This was the smallest number in agriculture as far back as figures go to the early part of this century.

As the result of this decline, the number of persons in farming now represents only 15 per cent of the total population, the smallest proportion on record.

MORTGAGE PROSPECTS

(Continued from page 11)

10 to 20 years. I do not agree with this long run outlook; the supply of savings in our economy has shown no tendency to increase over the long term relative to income, and the tremendous research expenditures of our economy should result in a continued long term growth in output requiring large investment. I don't believe a trend either upward or downward can be discerned over the long term but rather a fluctuation within the range experienced in the past fifteen years. The longer term outlook for lower interest rates is the cyclical outlook for the next 2 to 3 years, not the secular outlook for the next 10 to 20 years.

SEMINAR REGISTRATIONS

(Continued from page 26)

Company, Jacksonville; J. Walter Tucker, Jr., Tucker & Branham, Inc., Orlando.

Charles L. Knight, Eugene Knight Incorporated, Tampa; A. C. Frazier, Georgia Loan & Trust Company, Macon; Mrs. Aleta R. Kitchen, Country Life Insurance Company, Chicago; Kenneth M. Burns, Federal National Mortgage Association, Chicago; Newton S. Noble, Jr., Lake Michigan Mortgage Co., Chicago; George H. Champ, Utah Mortgage Loan Corp., Boise, Idaho.

William Simon, Jr., H. F. Philipsborn & Co., Chicago; Theodore M. Wilson, Percy Wilson Mortgage & Finance Corporation, Chicago; Robert J. Newman, Coonley and Green, Inc., Evanston; Oscar H. Eberhart, Old National Bank in Evansville, Evansville; Herman T. Cox, Edmund W. Genier, American United Life Insurance Company, Indianapolis; Al R. Schafer, F. Jay Decker Co., Peoria.

T. A. Blood, D. R. Olson, Equitable Life Insurance Company of Iowa, Des Moines; D. L. Middleton, Security National Bank of Sioux City, Sioux City; Cale Oden, The Coffeyville Loan and Investment Co., Inc., Coffeyville; George R. Monroe, The Monarch Investment Co., Wichita; Creighton B. Hess, Joseph S. Myers, Louisville Title Insurance Company, Louisville.

Lawrence P. Naylor, III, The Moss-Rouse Company, Baltimore; Elmer N. Simon, Jr., Louisiana Mortgage and Investment Corporation, Shreveport; David F. Crowley, Jr., Chas. H. Steffey, Incorporated, Baltimore; Richard E. Hickey, Jr., Monarch Life Insurance Company, Springfield; Norman J. Smith, First Federal Savings and Loan Association of Detroit, Detroit.

Herbert Smith, Security Bank, Lincoln Park; Albert A. Drawbert, Northwestern National Life Insurance Co., Minneapolis; Roderick S. Russ, Jr., The Lamar Life Insurance Company, Jackson; George R. Peterson, First Mortgage Investment Company, Kansas City; Jay Warner, New York Life Insurance Company, Kansas City.

Ralph F. D'Oench, The Ralph D'Oench Company, St. Louis; Frank A. Flanagan, Western Life Insurance Co., Helena; Robert Guempel, Grace E. Miltenberger, Jersey Mortgage Company, Elizabeth; Joseph Kiernan, New York Life Insurance Company, New York; Edwin W. Hudspeth, Maginn-Martin-Salisbury, Inc., St. Louis; Louis R. Freese, W. R. Johnston & Co., Inc., Tulsa; Edward S. Ciechanowski, A. C. Sehrt Co., Milwaukee; and Peter E. Swinslue, L. L. Freeman, Inc., Racine, Wis.

Nathan Goldman, Jack E. Sonnenblick, Sonnenblick Goldman Corporation, New York; Walter Mahlstedt, Teachers Insurance and Annuity Association of America, New York; R. E. Southworth, Pilot Life Insurance Co., Greensboro; Doral R. Lewis, Evans Saving Association, Akron; Ray H. Miller, Gill Associates, Inc., Toledo.

Albert G. Kulp, Standard Mortgage Company, Tulsa; Howard M. Hughes, Commonwealth, Inc., Portland; Fred H. Branditz, The First National Bank of McKeesport, McKeesport; Edmund Backman, Eastern Mortgage Service Co., Philadelphia; Byron A. Aldridge, Western Saving Fund Society of Philadelphia, Philadelphia.

John Gass, Christopher S. Moore, The Volunteer State Life Insurance Company, Chattanooga; Roy W. Kidd, The First National Bank of Memphis, Memphis; A. E. Quinn, Jr., John H. Tipton, Jr., The National Life & Accident Insurance Company, Nashville.

A. G. Wallace, Lewis Grinnan Company, Dallas; Donald McGregor, T. J. Bettes Company, Houston; I. Norris Blake, William H. Hoofnagle, Jr., Mortgage Investment Corporation, Richmond; Rollin C. Hotaling, Wisconsin National Life Insurance Company, Oshkosh; Robert C. Eschweiler, A. L. Grootemaat & Sons, Inc., Milwaukee.

THE BUSINESS PICTURE

(Continued from page 7)

made and a stable pattern of peacetime high-level business worked out.

But the prevailing mood of our people is not one of patience and tolerance. It is one of insistence by each group on what it regards as its "rights" and a considerable belief that if these rights cannot be obtained in the market, they can be obtained through a friendly man in the White House or other friends on Capitol Hill.

Three years ago I pointed out in a speech that we had always used government agencies for organizing some parts of our economic activities but that there were questions both of degree and of kind that really distinguish a private enterprise system from one that could accurately be labelled "socialism." I said:

"If we go on under this mixed, opportunistic American way, with varied and often imperfect combinations of private and public enterprise, is this socialism? Or are the developments now going on under our noses soon to push us into socialism? To both of those questions my answer—and I assure you it is the purely personal answer of one professional economist — not an inspired bureaucrat —is No. Though we have socialized some of our economic functions in considerable degree and though we have gone beyond the facilitating role of government and into operative activities to some extent we have not taken the one fateful step which, as I read the literature and observe the facts, seems to me the hallmark of socialism as a system. That is the nationalization of industries.

"I am quite aware that there are people in Washington who yearn and labor to that end. There are no doubt people of that persuasion in government as well as in other callings. But in my belief they are very much in the minority. And I do not think that present steps carry us down that road."

Today I am not so sure about the size of that minority or even the fact that, under conditions of incipient depression, it might not become a majority. The railroads were under technical government seizure for more than two years. The steel industry was seized without the cloak of war powers. A great volume of government communication business that once was handled by the private telegraph is now handled by the communications departments of various government agencies, while a telegraphers' strike is based on demands so extensive as to give color to the suggestion that it may have been designed to force this whole business into government hands.

The question of tomorrow's economic situation is not merely the continuation of prosperity but also the preservation of freedom.

". . . free as a nation and financially independent as individuals."

OLIVER P. ECHOLS

Chairman of the Board, Northrop Aircraft, Inc.

"For nearly every American, systematic saving during productive years is the best means of insuring future security. We at Northrop Aircraft believe in the Payroll Savings Plan. We feel that bond purchases contribute greatly toward keeping us free as a nation and financially independent as individuals."

In addition to a deep, personal interest in his own company's Payroll Savings Plan, Mr. Echols is Chairman of the Aircraft Industry Committee to build employee participation in the Payroll Savings Plan.

- When Mr. Echols' Committee was formed, 17 major airframe manufacturers and 11 major suppliers, employing 400,000 workers, had a total of 80,000 employees enrolled in the Payroll Savings Plan.
- At Mr. Echols' request all 28 companies agreed to conduct person-to-person canvasses among their employees.
- The first companies to complete their canvasses report a total of more than 70,000 new Payroll Savers bringing the industry total to more than 150,000 participants.
- In the first reports on campaigns, average payroll participation (companies reporting) went from 20% to 32%. Latest indications are that the average participation—all 28 companies—will be well over 50% by the time the canvasses are completed.
- It is estimated that the 70,000 new Payroll Savers already added to the Plan through the co-operation of Mr. Echols and his Committee will purchase more than 15 million dollars worth of Series E Defense Bonds during the next twelve months.

Has *every* employee of your company been offered an opportunity to enroll in the Payroll Savings Plan? If not, phone, wire or write to Savings Bond Division, U. S. Treasury Department, Suite 700, Washington Building, D. C. Your State Director will help you conduct a person-to-person canvass.

Typical Companies Reporting Results of Person-to-Person Canvasses, Payroll Savings Plan.

	Before Canvass	After Canvass
Hughes Aircraft	38.7%	85.8%
Continental Motors	10%	70%
Boeing Aircraft	17.8%	55.1%
Rohr Aircraft	1.3%	77.6%
Solar Aircraft	1.8%	60.5%
Bell Aircraft	14%	50%

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